5/18/87 B3500-1

ISSN 0015-2757

ECONOMIC INDICATORS

Research Department, First Hawaiian Bank

March/April 1987

Is Hawaii Facing A Potential Labor Shortage?

The most important index of the economic well-being of a community is the proportion of people in the labor force gainfully employed in meaningful work. In 1986, Hawaii experienced an average unemployment rate of 5 percent, the lowest level since the boom years of the 1970s. This is good news. But, Hawaii could be facing labor shortages at a time when economic growth rates, and their associated labor demands, are expected to increase.

At a more fundamental level, Hawaii is experiencing demographic changes that mirror trends at the national level, and involve a long-term slowdown in population and labor force growth. During the 1950s, after World War II and the Korean War, the total U.S. population growth rate rose to a high average annual rate of 2 percent, creating the post-war "baby-boom generation." During the '60s and the '70s, the population growth rate declined until reaching 1 percent in the 1980s. This directly affected patterns of growth in the labor force. From a low labor force growth rate of 1 percent during the 1950s, the rate of expansion increased to a high of 3 percent in the '70s as the wave of young workers born in the '50s entered the labor force. Labor force growth, however, slowed to 1 percent in the '80s, and is expected to slow further through the '90s.

Hawaii has been experiencing similar trends. From a low average population growth rate of 2 percent in the 1940s, Hawaii's population growth rate picked up dramatically to 3 percent in the post-war 1950s, following the national trend. The population growth rate then fell off during the '60s and '70s until it hit 2 percent in the 1980s. These population shifts were reflected in the growth patterns of Hawaii's labor force. From a low average growth rate of 2 percent during the 1950s, the labor force growth rate hit an all-time high of 5 percent in the 1970s as the baby-boom generation, then in its late teens and early twenties, entered the labor force. Since then, annual labor-force growth has fallen considerably to 2 percent per year in the 1980s, and is expected to decline to 1 percent in the '90s, and 0.5 percent by 2000.

The slowdown in population and labor-force growth as economic activity and labor demand grows will result in a tighter labor market. The proportion of younger workers in the labor force will diminish, and the labor force will be older. On the other hand, more opportunities will be created for women, less-advantaged minorities, and in-migrants from the mainland and foreign countries (see Inside Story: Hawaii's New Immigration Law).

In the meantime, the uneven distribution of labor throughout the state will result in potentially acute labor shortages on the neighbor islands where tourism and construction activity are expected to increase in the years to come. In areas where labor shortages persist, wages may tend to rise. Skill shortages in key occupational areas could result in many workers changing jobs five or six times during their working life.

The impact on businesses will be significant. The aging of the labor force will mean higher productivity. But, it will also mean higher wages, medical and retirement costs, and training and unemployment expenditures due to higher rates of labor turnover. The increase in pensions and benefits could influence collective bargaining, resulting in increased investment in labor-saving technology to raise productivity and control labor costs.

The implications of these changes for public policies will be profound. To address the issue of potential labor shortages, the available supply of labor must be increased by expanding the employability of traditionally underutilized segments of the population, including labor-force entrants with lower levels of education, social and verbal skills, and cultural familiarity. Traditional constraints to greater labor-market participation need to be remedied, such as adequate child-care provision for working mothers. Handicapped workers can be assisted through programs of education and training, while programs to integrate immigrants into the labor force will have to be expanded. Another priority will be to retrain existing and dislocated workers to fulfill the demands of a changing labor market.

The accomplishment of these objectives will require better relationships between vocational education, human-service, job training, and economic-development programming. The ultimate goal would be to develop a more comprehensive, yet coordinated, human-resource development policy for Hawaii. Businesses and unions can also assist through improved manpower planning and training programs, including the retraining of workers, and the development of more flexible work rules, benefit plans, and pension systems.

As Hawaii begins to face the prospect of a slowdown in labor force growth, and potential labor shortages in the years ahead, the need will be greater than ever to understand the human implications of economic-development policies, and to create policies to help Hawaii residents fill the jobs of the future. This will require not only sophisticated and farsighted human-resource development policies, but cooperation between government, business, and labor. Although the challenges may be great, it will only be by meeting them that the future economic well-being of Hawaii's people can be secured.

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MARCH/APRIL FEATURE STORY: HAWAII'S NEW IMMIGRATION LAW

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CURRENT BUSINESS TRENDS

It looks like Hawaii's visitor industry picked up where it left off in 1986. January visitors, totalling 483,620, kicked off 1987 with an 11-percent increase over January 1986. This increase was mostly attributable to the large number of eastbound visitors, up 31 percent for a total of 130,550. Westbound arrivals totalled 353,070 up 5 percent from January 1986.

Tourist traffic increased on all islands. For the first time in several months, the Big Island outpaced the rest with 78,600 visitors, up 14 percent. Kauai continued its steady rate of growth at 9 percent, and Oahu and Maui followed with increases of 3 and 2 percent, respectively. However, occupancy rates for the state were down reflecting sharp drops in Maui, Hawaii, and Kauai. Oahu's occupancy rate was up to 89 percent.

Business conditions throughout the state were also encouraging. Gross business receipts for the state were up 11 percent from January 1986 at $2.6 billion.

Defense spending decreased again for its fifth straight quarter. Appropriated funds by all branches of the military reached a 4-year low of $461.4 million in the fourth quarter of 1986, down 9 percent from the 1985 fourth quarter number of $507.3 million. These steady decreases have been largely due to sharp drops in local purchases of goods and services, which fell 27 percent from $133.1 million in the fourth quarter of 1985 to $90.5 million in the fourth quarter of 1986.

The construction industry started the year off well with strong gains in January. Construction-put-in-place for the state totalled $169 million up 19 percent from the same period last year. Oahu and Maui's numbers were up 20 and 5 percent, while Hawaii and Kauai's increased 26 and 6 percent from January, 1986. Private permits were also

u. s. economic indicators

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
GROSS NATIONAL PRODUCT**					
In Current Dollars	bil. $	4th Qtr.	4,261	0.5	4.2
In 1982 Dollars	bil. $	4th Qtr.	3,698	0.3	2.1
PERSONAL INCOME**	bil. $	January	3,548p	0.0	3.8
INTEREST RATES					
AVERAGE PRIME RATE	percent	February	7.50	0.0	-21.1
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE**	bil. $	January	378.5p	1.0	1.4
CONSTRUCTION COST INDEXES					
Residences	1967 = 100	November	374.8	0.5'	1.6
Apts., Hotels, Office Bldgs.	1967 = 100	November	372.3	0.4'	1.6
EMPLOYMENT					
CIVILIAN EMPLOYMENT*	thous.	January	119,034	0.4	1.9
UNEMPLOYMENT*	thous.	January	8,023	0.9	1.5
UNEMPLOYMENT RATE*	percent	January	6.7	0.0	-1.5
PRICES					
CONSUMER PRICE INDEXES					
Wage Earners and Clerical Workers	1967 = 100	January	327.7	0.6	1.0
All Urban Consumers	1967 = 100	January	331.1	0.0	0.8
PRODUCER PRICE INDEXES					
Finished Goods*	1967 = 100	January	291.7	0.6	-1.4
All Commodities	1967 = 100	December	298.1	-0.2	-3.9

r = revised
p = preliminary
'Compared to July, 1986
*Seasonally adjusted
**Seasonally adjusted at annual rates

business activity in hawaii

GROSS STATE PRODUCT'	mil. $	Annual Total	17,529.7	.....	5.1
BUSINESS SALES					
GROSS BUSINESS RECEIPTS					
STATE	mil. $	January	2,568.9	.....	11.4
Oahu	mil. $	January	2,177.2	.....	11.7
Maui County	mil. $	January	154.8	.....	3.3
Hawaii	mil. $	January	184.3	.....	19.0
Kauai	mil. $	January	52.6	.....	2.2
DIVERSIFIED MANUFACTURING	mil. $	January	49.1	.....	13.0
DIVERSIFIED AGRICULTURE	mil. $	January	24.4	.....	-9.8
RETAILING	mil. $	January	950.5	.....	4.8
WHOLESALING	mil. $	January	634.3	.....	16.8
SERVICES	mil. $	January	582.7	.....	15.0
OAHU NEW CAR SALES	number	January	3,099p	.....	-2.5
HONOLULU PRICES					
HONOLULU CONSUMER PRICE INDEX					
Wage Earners and Clerical Workers	1967 = 100	December	312.7	0.6	2.3
All Urban Consumers	1967 = 100	December	305.4	0.5	2.3
TOURISM					
VISITOR EXPENDITURES	mil. $	1985	4,884p	.....	6.6
OVERNIGHT OR LONGER VISITORS	number	January	483,620p	-2.4	10.9
Westbound	number	January	353,070p	-2.4	5.0
Eastbound	number	January	130,550p	-2.3	31.0
AVERAGE DAILY VISITOR CENSUS	number	January	130,530p	-2.9	6.3
AVERAGE LENGTH OF STAY	no. of days	January	11.5p	0.0	1.8
MEETING ATTENDANCE	number	January	31,746	19.7	23.1
ORGANIZED GROUP TOURS	number	January	69,260p	23.3	-9.1
VISITOR COUNT BY COUNTY'					
Oahu	number	January	252,320p	-2.1	3.2
Maui County	number	January	158,670p	3.0	2.5
Hawaii	number	January	78,600p	0.8	14.1
Kauai	number	January	82,980p	-0.3	9.2

p = preliminary
'Compared to September, 1986.
'Estimated.
'Estimated Westbound.

business activity in hawaii [cont.]

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
VISITOR ACCOMMODATIONS					
STATE	number	Feb., 1986	66,308	.....	0.6
Oahu	number	Feb., 1986	39,010	.....	1.1
Waikiki	number	Feb., 1986	34,650	.....	2.3
Maui (Island)	number	Feb., 1986	13,451	.....	−0.5
Molokai	number	Feb., 1986	635	.....	1.3
Lanai	number	Feb., 1986	10	.....	0.0
Hawaii	number	Feb., 1986	7,280	.....	−3.1
Kauai	number	Feb., 1986	5,922	.....	4.7
HOTEL OCCUPANCY					
STATE	percent	January	82.9	15.5	−0.6
Oahu	percent	January	89.4	15.7	2.5
Maui (Island)	percent	January	75.1	11.8	−9.2
Hawaii	percent	January	68.2	18.2	−3.1
Kauai	percent	January	67.8	13.6	−7.8
DEFENSE EXPENDITURES					
APPROPRIATED FUNDS TOTAL	mil. $	Yr. to 4th Qtr.	1,871.9	.....	−8.9
Military Payroll	mil. $	Yr. to 4th Qtr.	832.6	.....	−2.0
Civilian Payroll	mil. $	Yr. to 4th Qtr.	618.6	.....	−1.4
Local Purchases	mil. $	Yr. to 4th Qtr.	420.8	.....	−27.2
SUGAR					
VALUE OF CROP SALES					
(Unprocessed Cane)	mil. $	1985	222.4	.....	−13.2
SUGAR PRODUCTION	thous. tons	January	15.7	.....	68.3
AVERAGE N. Y. RAW SUGAR PRICE	$/ton	Jan.-Feb.	432.2p	.....	4.6
PINEAPPLE					
VALUE OF CROP SALES					
(Fresh Equivalent)	thous. $	1985	90.5	.....	0.7
SHIPMENTS: FRESH	thous. lbs.	Jan.-Feb.	33,917	.....	−3.0
DIVERSIFIED AGRICULTURE					
CROPS	thous. $	1985	132,126	.....	12.6
FLOWERS & NURSERY PRODUCTS	thous. $	1985	44,247	.....	13.7
Anthurium Outshipments*	th. dozens	December	162.0	11.4	−4.1
Potted Foliage Plants	thous. $	1985	12,019	.....	19.6
FRUITS & NUTS	thous. $	1985	43,244	.....	9.7
Papaya Sales	th. lbs.	January	4,400	−5.0	17.0
Average Farm Price	cents/lb.	January	20.0	−4.8	−11.9
Macadamia Nut Sales (in shell)	th. lbs.	1985	42,000	.....	11.4
Average Farm Price	cents/lb.	1985	72.5	.....	4.8
VEGETABLES AND MELONS*	th. lbs.	February	8,596p	.....	−8.6
LIVESTOCK	thous. $	1985	82,821	.....	−4.8
BEEF PRODUCTION (Dressed Wt.)	th. lbs.	January	2,419	−16.6	−27.1
Average Farm Price (Feedlot Beef)	cents/lb.	January	84.5	−1.2	−2.3
HOG PRODUCTION (Dressed Wt.)	th. lbs.	January	553	−27.3	10.4
Average Farm Price	cents/lb.	January	103.5	0.5	−1.0
MILK PRODUCTION	mil. lbs.	January	13.5	1.5	3.1
Average Price Sold to Plants	$/100 lbs.	January	20.35	2.2	0.5
EGG PRODUCTION	mil.	January	18.6	.....	−3.6
Average Farm Price	cents/doz.	January	80.5	−0.6	5.9
PUBLIC UTILITIES					
ELECTRICITY GENERATED	mil. kwh.	Jan.-Feb.	1,183	.....	3.0
GAS SALES	th. therms.	Jan.-Feb.	8,740	.....	4.3
TELEPHONE LINES IN SERVICE	thous.	Jan.-Feb.	483.9	.....	3.5

p = preliminary.
*From Hawaii County.
*Includes snap beans, cabbage, celery, sweet corn, cucumbers, onions, green peppers, tomatoes, and watermelons.

up on most islands and the construction cost index down slightly.

Total private permits on Oahu were valued at $65.5 million in January, up 5 percent from $62.1 million in 1986. Hawaii and Kauai also reported sharp increases in the value of total private permits, with totals of $9.2 and $5.4 million, respectively. Construction-cost indexes for single-family units and high rise buildings declined slightly from January to February, 1987.

Real estate figures for January did not reflect the same rate of growth enjoyed throughout 1986. Single-family housing resales were down an average 11 percent in January from the same period in 1986, while the average single-family house sold for $180,798, $25,000 over the average sales price in January 1986. Oahu condominium resales were also off, down 12 percent from January 1986. At the same time condominium prices were up an average of $10,000 to $120,517.

In agriculture, the sugar industry experienced some long-deserved good news. Sugar production in January was up 68 percent from the same period last year, while prices rose 4 percent in the same period. World sugar demand is on the rise as well, which would suggest stable or increased sugar prices throughout 1987.

Elsewhere in agriculture, production and prices began 1987 with little or no gains. Papaya sales were a slight exception, rebounding slowly from a 2-year slump. Papaya sales totalled 4.4 million pounds in January, up 17 percent from the same period last year. But, the average farm price declined 12 percent during that same period.

Non-industry indicators opened the year with mixed results. Labor force growth was off as a whole in the month of January, but state employment grew 1 percent to 458,700 persons. The state unemployment rate is still a modest 4 percent, well below the national average of 7 percent. Kauai fared the best in January with the largest increase of employment, and the largest decrease in unemployment. Total jobs for the state grew a healthy 3 percent to 485,900 jobs. This reflects increases in hotel services and state government employment.

Tax collections for the state and counties were also mixed in January. The state total was up 8 percent at $166.7 million. This sizable increase, however, lumps together strong revenue growth on Oahu, which was up by 12 percent from January 1986, with declines on Hawaii, Maui, and Kauai, which fell by 23, 5, and 18 percent, respectively.

HAWAII'S NEW IMMIGRATION LAW

Immigration has always been an important part of Hawaii's development ever since Hawaii's first inhabitants emigrated to Hawaii from Polynesia. To the present day, Hawaii's location and multi-ethnic population make it an attractive port of entry for those seeking a better life.

In the ten years between 1975 and 1985, 64,128 civilian aliens migrated to Hawaii. The majority came from the Philippines (54 percent), Korea (13 percent), and China and Taiwan (10 percent). These immigrants are estimated to comprise roughly 6 percent of the total population and 13 percent of the labor force in Hawaii. Thus, immigration plays a major role in Hawaii's demographic and economic fortunes.

The Immigration Reform and Control Act of 1986 will affect all these new entrants, as well as anyone who has been hired for a job since November 1986. The Act consists of three parts: Employer Sanctions, Legalization, and Agricultural Workers. The first two parts are especially important to Hawaii.

The employer-sanction provision attempts to address the problem of illegal immigrants by making it more difficult for them to get a job. In the past it was illegal for unauthorized immigrants to be in the U.S., but not illegal for employers to hire them. Now, as of November 6, 1986, it is also illegal to knowingly hire, recruit, or refer for hire any unauthorized alien.

Hawaii has a significant problem with aliens who have overstayed their visa time restrictions, and are, in fact, residing in Hawaii as illegal aliens. It is estimated that 20,000 persons fell into this category, and constituted roughly 4 percent of employed civilians in Hawaii in 1986.

The Immigration Reform and Control Act of 1986 puts the responsibility of control squarely on the shoulders of businesses. Employers will be required to understand the new regulations to avoid unknowingly hiring illegal aliens and being subject to stringent penalties. Businesses are obligated to verify the citizenship or legal status and work authorization of everyone hired, recruited, or referred for employment after November 6, 1986. This will be accomplished by examining the appropriate documents, and determining whether they are genuine. Once this is done, an Employment Eligibility Certificate (I-9 form) must be filled out containing the name and signature of the employer and employee and a description of the documents used to es-

business activity in hawaii [cont.]

Series		Unit	Period	Number	Percent Change preceding period	Percent Change year ago
CONSTRUCTION PUT IN PLACE						
STATE		thous. $	January	169,391	.....	19.1
Oahu		thous. $	January	149,203	.....	19.9
Maui County		thous. $	January	8,386	.....	5.3
Hawaii		thous. $	January	9,352	.....	25.5
Kauai		thous. $	January	2,450	.....	5.6
HONOLULU CONSTRUCTION COST INDEXES						
SINGLE FAMILY		1967 = 100	February	371.0	−0.2	1.8
HIGH-RISE		1967 = 100	February	384.4	−0.4	0.6
PRIVATE PERMITS AUTHORIZED						
STATE:	RESIDENTIAL	thous. $	Jan.-Dec. 86	548,837	.....	−3.0
	Single Family Units	number	Jan.-Dec. 86	4,534	.....	−4.4
	Multiple Family Units	number	Jan.-Dec. 86	2,645	.....	3.5
	NONRESIDENTIAL	thous. $	Jan.-Dec. 86	473,587	.....	46.5
OAHU:	RESIDENTIAL	thous. $	January	28,116	.....	−38.2
	Single Family Units	number	January	251	.....	136.8
	Multiple Family Units	number	January	148	.....	−68.9
	NONRESIDENTIAL	thous. $	January	37,368	.....	124.5
MAUI CO.:	RESIDENTIAL	thous. $	Jan.-Dec. 86	104,749	.....	−28.2
	Single Family Units	number	Jan.-Dec. 86	911	.....	−7.4
	Multiple Family Units	number	Jan.-Dec. 86	506	.....	10.7
	NONRESIDENTIAL	thous. $	Jan.-Dec. 86	48,298	.....	47.6
HAWAII:	RESIDENTIAL	thous. $	January	5,937	.....	57.1
	Single Family Units	number	January	107	.....	44.6
	Multiple Family Units	number	January	0	.....	0.0
	NONRESIDENTIAL	thous. $	January	3,298	.....	301.2
KAUAI:	RESIDENTIAL	thous. $	January	4,852	.....	177.3
	Single Family Units	number	January	45	.....	114.3
	Multiple Family Units	number	January	0	.....	0.0
	NONRESIDENTIAL	thous. $	January	596	.....	−98.2
PUBLIC CONTRACTS AWARDED						
TOTAL GOVERNMENT PROJECTS:						
STATE		thous. $	Jan.-Feb.	70,334	.....	62.6
Oahu		thous. $	Jan.-Feb.	51,777	.....	71.0
Maui County		thous. $	Jan.-Feb.	6,392	.....	−10.9
Hawaii		thous. $	Jan.-Feb.	7,284	.....	70.4
Kauai		thous. $	Jan.-Feb.	4,881	.....	220.9
BY LEVEL OF GOVERNMENT:						
Federal		thous. $	Jan.-Feb.	9,344	.....	123.2
State		thous. $	Jan.-Feb.	36,597	.....	45.1
County		thous. $	Jan.-Feb.	24,394	.....	76.2
REAL ESTATE RESALES						
STATE:	Single Family	number	January	217	.....	−11.4
	Average Price	dollars	January	180,798	.....	16.1
	Condominium	number	January	327	.....	9.4
	Average Price	dollars	January	120,520	.....	9.4
OAHU:	Single Family	number	January	128	.....	−13.5
	Average Price	dollars	January	191,950	.....	6.9
	Condominium	number	January	190	.....	−11.6
	Average Price	dollars	January	107,710	.....	11.7
MAUI CO.:	Single Family	number	January	55	.....	14.6
	Average Price	dollars	January	198,700	.....	43.1
	Condominium	number	January	123	.....	70.8
	Average Price	dollars	January	129,717	.....	4.4
HAWAII:	Single Family	number	January	28	.....	−24.3
	Average Price	dollars	January	105,280	.....	13.1
	Condominium	number	January	8	.....	33.3
	Average Price	dollars	January	275,880	.....	258.3
KAUAI:	Single Family	number	January	5	.....	−50.0
	Average Price	dollars	January	131,190	.....	7.6
	Condominium	number	January	6	.....	0.0
	Average Price	dollars	January	130,500	.....	96.0

n.a. = not available.

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population in hawaii

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
POPULATION					
STATE:					
Total De Facto Population	thous.	July 1, 1986	1,176.7	.....	2.1
Total Resident Population	thous.	July 1, 1986	1,062.3	.....	0.8
OAHU:					
Total De Facto Population	thous.	July 1, 1985	865.1	.....	1.0
Total Resident Population	thous.	July 1, 1985	814.6	.....	1.5
MAUI COUNTY:					
Total De Facto Population	thous.	July 1, 1985	115.5	.....	0.5
Total Resident Population	thous.	July 1, 1985	85.3	.....	2.1
HAWAII:					
Total De Facto Population	thous.	July 1, 1985	115.8	.....	2.1
Total Resident Population	thous.	July 1, 1985	109.2	.....	1.9
KAUAI:					
Total De Facto Population	thous.	July 1, 1985	55.6	.....	1.8
Total Resident Population	thous.	July 1, 1985	44.8	.....	1.4
CIVILIAN RESIDENT POPULATION:					
STATE	thous.	July 1, 1986	1,004.2	.....	0.7
MILITARY PERSONNEL:					
STATE	number	July 1, 1986	58,584	.....	−1.0
Ashore	number	July 1, 1986	53,616	.....	−0.4
Afloat	number	July 1, 1986	4,968	.....	19.5
CIVILIAN MILITARY DEPENDENTS	number	July 1, 1986	66,210	.....	3.0
FOREIGN IMMIGRATION[1]	number	Jan.-Feb. 1987	920	.....	18.6

p = preliminary.
[1]Includes only those entering Honolulu ports and does not include status changes.

income in hawaii

INCOME					
TOTAL PERSONAL INCOME**	mil. $	3rd Qtr.	15,509	1.4	6.0
EMPLOYMENT INCOME[1]	mil. $	3rd Qtr.	11,784	1.8	6.4
Manufacturing	mil. $	3rd Qtr.	538	2.3	6.7
Construction & Mining	mil. $	3rd Qtr.	875	11.7	27.2
Wholesale	mil. $	3rd Qtr.	451	0.0	0.0
Retail	mil. $	3rd Qtr.	1,323	1.5	4.0
Finance, Ins., & Real Estate	mil. $	3rd Qtr.	861	2.4	15.9
Trans., Comm., & Util.	mil. $	3rd Qtr.	913	0.3	−0.2
Services	mil. $	3rd Qtr.	2,925	2.0	7.7
Farm & Other	mil. $	3rd Qtr.	303	−4.7	−1.0
Federal Civilian	mil. $	3rd Qtr.	987	1.2	2.1
Federal Military	mil. $	3rd Qtr.	1,355	0.4	3.8
State & Local	mil. $	3rd Qtr.	1,252	0.5	3.3
PROPERTY INCOME (Dividends, Interest, & Rent)	mil. $	3rd Qtr.	2,264	−0.6	5.0
TRANSFER PAYMENTS (1,954) minus Personal Contributions for Social Insurance (758)	mil. $	3rd Qtr.	1,461	1.4	5.0
PER CAPITA PERSONAL INCOME:					
STATE	dollars	1985	14,558	.....	11.6
Oahu	dollars	1984	13,709	.....	5.7
Maui County	dollars	1984	11,611	.....	5.9
Hawaii	dollars	1984	9,998	.....	5.2
Kauai	dollars	1984	10,564	.....	6.9

**Total personal income and all components are seasonally adjusted at annual rates.
[1]Includes wage and salary disbursements, proprietors' income, and other labor income.
p = preliminary.

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tablish eligibility. Employers are required to keep these forms on record for three years from the date of hire or one year after the date of termination, whichever is longer. The Immigration and Naturalization Service or Department of Labor has the right to inspect these I-9 forms at anytime.

Job applicants must also do their part under the new law. All job seekers, whether citizen or alien, must be able to prove work eligibility when applying for a position by presenting the appropriate documents which verify identification and eligibility. These documents have been divided into three categories. Group A documents provide identification and verify eligibility. They include a U.S. passport, Certificate of U.S. Citizenship, Certificate of Naturalization, unexpired foreign passport with unexpired work authorization endorsement of the Attorney General, or a 1-551 alien registration receipt card with photograph. Group B documents verify eligibility to work only. They are a social security card, U.S. birth certificate or certificate establishing U.S. nationality at birth, or other document approved by the Attorney General authorizing employment by the applicant in the United States. Group C documents provide identification of the applicant only. They are a state driver's license with photograph, other form of state or local government I.D. with photograph, or other document approved by the Attorney General authorizing employment by the applicant in the United States. Prospective employees are required to show one document from Group A or one document each from Group B and C as proof of identification and eligibility. Failure to do so will disqualify an applicant from job consideration.

The Immigration and Naturalization Service (INS) is responsible for education, implementation, and enforcement of the new law. I-9 forms will be mailed out to employers. Copies will also be made available at the INS local district office starting mid-May. The INS is now in the education phase of the new law. During this time they will be disseminating information on the new law, and no sanctions against employers will be levied. This phase will be followed by the citation phase when violators will be cited and subject to civil penalties. Full implementation begins June 1, 1988.

With the start of full implementation, civil and criminal penalties will be assessed against violators. Employers who knowingly hire unauthorized aliens face civil penalties of a $250-$2,000 fine per alien for a first offense, a $2,000-

$5,000 fine per alien for the second offense, and a $3,000-$10,000 fine per alien for the third offense. Criminal penalties are lodged against pattern and practice violators. They are $3,000 per alien and/or six months imprisonment per violation. Illegal workers caught will lose their job and face deportation.

While the control of unlawful employment of illegal aliens will have a long run impact on immigration, the legalization provision in the new law will legitimize those illegal aliens already present in Hawaii. The INS is trying to get these illegal aliens out of the underground and into the mainstream.

Aliens who resided in the United States illegally prior to January 1, 1982, will be given a one-time chance to apply for temporary resident status, no questions asked. The application "window" is a twelve-month period starting May 1, 1987 and going to April 30, 1988. During this period, illegal immigrants will be allowed to register for temporary resident status at newly set up legalization offices in the district. Applicants must have resided continuously in the U.S. in an unlawful status since 1982, not been convicted of a felony or three misdemeanors in the U.S., not have assisted in persecution of others, and must register with the Selective Service System. Work authorization will be given along with temporary resident status to all applicants who meet the requirements.

The INS stresses that, during this legalization period, no attempt will be made to deport those aliens who are applying. Even those who are denied resident status are safe from deportation. There is a confidentiality clause in the reform act to safeguard all information gathered in the legalization process. That information can only be used to adjudicate an application, or as evidence to prosecute those submitting fraudulent claims. No other agency, including the enforcement branch of the INS or the IRS, will have access to this information.

The INS is setting up 36 new legalization offices in the western region to process applications. Honolulu will get one new office at 1680 Kapiolani Boulevard next to the Kapiolani Theater opening May 5. The INS encourages illegal aliens to take advantage of this opportunity, but knows there are those who will still be wary of the INS. This is where outreach programs come in. They will act as go-betweens for those too intimidated by the INS to come forward. Each outreach program must register with, and be designated by, the Attorney General as a Qualified Designated En-

employment and jobs in hawaii

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
EMPLOYMENT					
STATE:					
Civilian Labor Force	thous.	January	480.0p	−2.7	−0.4
Employment	thous.	January	458.7p	−2.9	1.1
Unemployment	thous.	January	21.3p	3.4	−24.2
Unemployment Rate	percent	January	4.4p	4.8	−24.1
OAHU:					
Civilian Labor Force	thous.	January	359.6p	−2.9	−1.2
Employment	thous.	January	344.7p	−3.2	−0.1
Unemployment	thous.	January	14.9p	5.3	−20.1
Unemployment Rate	percent	January	4.1p	7.9	−19.6
MAUI COUNTY:					
Civilian Labor Force	thous.	January	48.5p	−1.1	4.8
Employment	thous.	January	46.3p	−1.4	8.2
Unemployment	thous.	January	2.2p	4.8	−37.1
Unemployment Rate	percent	January	4.6p	7.0	−38.7
HAWAII:					
Civilian Labor Force	thous.	January	49.3p	−3.3	−1.4
Employment	thous.	January	46.3p	−2.7	1.0
Unemployment	thous.	January	3.1p	−6.1	−26.2
Unemployment Rate	percent	January	6.3p	−3.1	−25.0
KAUAI:					
Civilian Labor Force	thous.	January	22.5p	−2.6	3.4
Employment	thous.	January	21.4p	−2.9	7.0
Unemployment	thous.	January	1.1p	4.8	−37.1
Unemployment Rate	percent	January	5.0p	8.7	−37.5
JOB COUNT BY INDUSTRY					
TOTAL JOBS—STATE	thous.	January	485.9p	−1.6	3.0
SUGAR (Mill and Field)	thous.	January	7.2p	0.0	−2.0
PINEAPPLE (Cannery and Field)	thous.	January	3.3p	−7.0	20.0
DIVERSIFIED MANUFACTURING (Excluding Sugar and Pineapple)	thous.	January	16.7p	−0.9	1.2
Durable Goods	thous.	January	3.9p	2.6	14.7
Non-Durable Goods	thous.	January	12.8p	−1.9	−2.3
Apparel and Textiles	thous.	January	3.1p	−3.2	−11.6
DIVERSIFIED AGRICULTURE (Excluding Sugar And Pineapple, but including Agricultural Self-Employed)	thous.	January	8.6p	0.0	14.7
CONTRACT CONSTRUCTION	thous.	January	21.6p	−0.2	26.0
TRANSPORTATION	thous.	January	24.5p	0.2	−0.2
COMMUNICATION	thous.	January	7.1p	0.0	−0.7
UTILITIES	thous.	January	2.6p	0.0	6.1
RETAIL TRADE	thous.	January	98.6p	−1.9	1.7
WHOLESALE TRADE	thous.	January	19.3p	−0.5	−1.8
FINANCE, INSURANCE AND REAL ESTATE	thous.	January	33.2p	−0.2	3.4
HOTEL SERVICES—STATE	thous.	January	30.2p	1.5	10.6
Oahu	thous.	January	17.1p	1.8	6.2
Maui County	thous.	January	6.7p	0.0	10.8
Hawaii	thous.	January	4.1p	3.8	15.7
Kauai	thous.	January	2.5p	0.0	36.1
OTHER SERVICES	thous.	January	90.7p	−0.7	8.2
FEDERAL GOVERNMENT	thous.	January	32.1p	−1.1	−0.3
Civilian Agencies	thous.	January	12.1p	−2.0	3.9
Defense Department	thous.	January	20.0p	−0.5	−2.9
STATE GOVERNMENT	thous.	January	49.1p	−3.7	1.7
COUNTY GOVERNMENT	thous.	January	12.8p	−1.9	1.7
NON-AGRICULTURE SELF-EMPLOYED	thous.	January	29.4p	−8.4	−13.1
UNEMPLOYMENT INSURANCE					
INSURED UNEMPLOYMENT (Weekly Average)	number	February	7,382	−8.1	−20.9
INTRASTATE INITIAL CLAIMS	number	February	3,921	−27.2	−14.3
INTERSTATE INITIAL CLAIMS	number	February	275	−13.0	−15.1
UNEMPLOYMENT INSURANCE BENEFITS	thous. $	February	3,766	−13.7	−18.9

p = preliminary.

public assistance in hawaii

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
PUBLIC ASSISTANCE					
INCOME MAINTENANCE:					
Recipients[1]	no./persons	February	52,162	1.0	−7.5
Payments	thous. $	Jan.-Feb.	14,463	.....	−6.1
MEDICAL ASSISTANCE:					
Recipients[1]	no./patients	February	46,186	−0.7	11.1
Payments	thous. $	Jan.-Feb.	25,153	.....	26.8
FOOD STAMPS:					
Recipients[1]	no./persons	January	87,218	0.9	−6.4
Payments	thous. $	January	7,272	.....	−3.2
SERVICES:					
Recipients[1]	no./cases	4th Qtr.	7,608	−4.2	1.2
Payments	thous. $	Yr. to 4th Qtr.	17,991	.....	15.8

[1]Count of recipients is duplicated. A person may be counted in each category

banking and finance in hawaii

FINANCE					
COMMERCIAL BANK DEPOSITS:					
STATE:					
Total Deposits	mil. $	February	8,569.0	4.4	15.0
Debits To Demand Deposits	mil. $	February	8,630.1	.....	10.7
OAHU:					
Total Deposits	mil. $	February	7,143.5	4.4	15.7
Debits To Demand Deposits	mil. $	February	7,772.2	.....	10.3
MAUI COUNTY:					
Total Deposits	mil. $	February	558.6	4.8	14.9
Debits To Demand Deposits	mil. $	February	377.7	.....	13.2
HAWAII:					
Total Deposits	mil. $	February	593.5	3.6	11.2
Debits To Demand Deposits	mil. $	February	327.7	.....	15.1
KAUAI:					
Total Deposits	mil. $	February	273.4	5.2	4.6
Debits To Demand Deposits	mil. $	February	152.6	.....	17.7
BANK LOANS OUTSTANDING—STATE:[1]	mil. $	4th Qtr.	5,062.7	6.5	9.7
Real Estate	mil. $	4th Qtr.	2,099.3	4.9	11.6
Consumer	mil. $	4th Qtr.	1,085.0	1.7	2.8
Commercial & Industrial	mil. $	4th Qtr.	1,468.5	9.6	9.7
Other	mil. $	4th Qtr.	328.7	19.8	−3.6
CONVENTIONAL HOME MORTGAGE RATES: HONOLULU SAVINGS & LOAN ASSOCIATIONS:[2]	percent	December	9.6	0.0	−15.0
TOTAL DEPOSITS	mil. $	December	3,559.4	0.5	−1.1
TOTAL LOANS	mil. $	December	197.3	78.4	111.5
MORTGAGE LOANS	mil. $	December	175.6	77.9	125.7
TAX COLLECTIONS:[3]					
STATE	thous. $	Jan.-Feb.	315,818	.....	10.7
Oahu	thous. $	Jan.-Feb.	273,911	.....	12.0
Maui County	thous. $	Jan.-Feb.	18,568	.....	5.2
Hawaii	thous. $	Jan.-Feb.	16,705	.....	2.9
Kauai	thous. $	Jan.-Feb.	6,633	.....	−4.6

[1]Figures contain domestic balances only.
[2]Includes Hawaii and Guam. Reporting categories changed in July, 1985.
[3]Taxes collected by the State Department of Taxation. Excludes property taxes which were formerly collected by the State but are now collected by the Counties.

tity. Individuals seeking such designation must be able to prove substantial experience in immigration procedures.

The Immigration Reform and Control Act of 1986 is a sweeping piece of legislation. Its supporters claim it is just what is needed to revamp an old system which no longer works. The government has lost control over who is entering the country. Employer sanctions will act as another filter to deter illegal immigration. The legalization provision will legitimize the illegal immigrant population already present. Together they will help return control over U.S. borders to the government in a fair and non-discriminating way.

Opponents of the new law fear it is the beginning of a national identification card system which could lead to too much government regulation of everyone's daily lives. Others feel this law will open the way for discrimination in the workplace. While there is a clause prohibiting discrimination against any individuals because of national origin or citizenship status, employers can make it difficult for "undesirable" applicants to verify eligibility. Others say, the whole system will not work specifically because it is so easy for illegal aliens to obtain false documents.

The new law also means new costs. Employers responsible for properly filling out and maintaining the I-9 forms have a new burden. Applicants will have to obtain and present more documentation when applying than they did before. The implementation of the legalization portion of the new law is designed to be self-supporting. Fees, comparable to those charged for regular resident status applications, will be charged to aliens applying for residency under the new law.

Whether or not the proponents or the detractors of the bill are correct, the law will affect a large number of people. The chance for legalization is expected to attract 3.9 million people nationwide. One million registrations are expected in the Los Angeles area alone.

For the Hawaiian economy, which is already near full employment, the law will most likely increase the number of aliens available for hire. By releasing them from the stigma of wrongfully being in the state, they will be encouraged to seek jobs outside the shadow economy, thus easing the threat of a labor shortage in Hawaii. A majority of legal immigrants go into the service and construction industries. If these new temporary residents follow this pattern, they will help alleviate the shortages now occurring in these sectors.

5/18/87

ECONOMIC INDICATORS

A Bimonthly Report on Current Economic Conditions in Hawaii
by the Research Department, First Hawaiian Bank
P.O. Box 3200; Honolulu, Hawaii; 96847

March/April 1987

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ISSN 0015-2757

ECONOMIC INDICATORS

Research Department, First Hawaiian Bank | May/June 1987

Hawaii's Emerging Marine Industry

Hawaii's marine industry is composed of a wide variety of enterprises, including aquaculture ventures, commercial fishing, ocean recreation, maritime industries, seafood processing, and marine research and development. According to preliminary figures of the Department of Planning and Economic Development (DPED) Ocean Research Branch, the industry earned $500 to $700 million in revenues in 1986, and employed approximately 8,500 people. This makes it as large as the sugar and pineapple industries, which generated $618 million in total revenues in 1986. However, the marine industry is still coming into its own, and could eventually be an even bigger part of the state's economy.

At present, the industry is in a period of slow growth. Most firms are small-scale operations with less than 20 employees. Aquacultural businesses, ocean-engineering firms, and tour-boat operators typify the industry. Shipping lines and tug-boat operations are the largest employers in the marine industry. The state is the second largest employer, with 90 percent of those hired working for the University of Hawaii.

The University of Hawaii is already at the forefront of deep-ocean technology and exploration. The next step will be to attract private investment into this field. It is envisioned that the research work being done at the university will generate "spin off" effects in the form of new company start-ups, as well as existing companies applying knowledge and hiring graduates produced by the University. Most of the current work is being funded by the federal government. The switch to substantial private sector involvement will take about 20 years.

Growth in aquaculture and mariculture, on the other hand, is presently under way. Last year over a million pounds of output, with a wholesale product value of $3.6 million, was produced for the first time. This is also the first year that other marine products surpassed fresh-water prawn production. These products include the cultivation of seaweed and microalgae, the fertilization of squid eggs, breeding new species of trout, bass, salmon, and raising abalone, salt-water shrimp and prawns. Wholesale product value is expected to reach $50 million by 1991.

Hawaii is also the leader in providing aquacultural services to other areas of the world. Federal and state funds totalling $9.7 million were invested in research, training, consulting, and technology transfer in 1986. These services will become increasingly important as the need for such information in the Pacific Rim and South American countries grows.

Besides being a medium for growing marine life, ocean water can also be a source of energy. Ocean thermal energy conversion (OTEC) is the process that utilizes the difference in ocean-water temperatures to generate electricity. The waters off Keahole Point on the Big Island provide a unique opportunity for harnessing this type of natural energy. Depths up to 2,000 feet are located right off shore, and are accessible for such an operation. A closed-cycle and an open-cycle method have been developed, and experiments are underway to improve their efficiency.

Once perfected, OTEC may be the energy source of the future. It is a constant, unlimited source of energy, unlike solar and wind power which need conventional backups. OTEC will always be there as long as surface water temperatures differ from those deeper down. Also, OTEC is a clean source of energy. The oceans are so vast that the energy needs for the whole human race can be satisfied without adversely altering the water's temperature.

What lies at the bottom of the ocean is also valuable. Ocean mining could have the greatest impact on Hawaii's economy in the future. Strong interest has already been focussed on manganese nodule mining, but now has shifted to cobalt-rich manganese crust mining. Surveys show the presence of cobalt, nickel, and cobalt-rich manganese within Hawaii's 200-mile Exclusive Economic Zone. They are spread out over roughly 6.6 million acres of seabed, and exist in quantities that would make commercial mining viable. To mine these mineral resources, processing plants will have to be established. Two Big Island sites and one Oahu site are being considered. Manganese mining is still in the developmental state, and it will be at least 15 to 20 years before any economic impact is felt. At that time it could double the contribution of the marine industry to the state economy. DPED projections show it could employ about 980 people, and generate approximately $500 million in revenue.

To be sure, much more can be done to support the marine industry in Hawaii. The perception that Hawaii is not receptive to industrial development, high business costs, legal problems, and a lack of organized efforts to promote the industry are barriers that must be overcome before this industry can achieve its potential. But, for a state that is 99 percent water and one percent land, pursuing a strong policy to support the marine industry seems the preferred course of action. It will create jobs and income in the state, and offset Hawaii's dependence on low-productivity service-oriented jobs by stimulating growth in higher-wage manufacturing jobs.

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MAY/JUNE FEATURE STORY: A NEW HAWAII SPACEPORT?

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CURRENT BUSINESS TRENDS

The vitality of the Hawaiian economy continued to be evident through February. Gross business receipts, an overall measure of activity in the economy, advanced during the first quarter of 1987 by 15 percent over the same period last year. Oahu and the Big Island fueled the expansion with 16 percent, and 23 percent increases, respectively. Kauai and Maui's economies also expanded, but at a slower 5 and 3 percent rate, respectively.

According to job market statistics, the economy is headed toward full employment. Approximately 466,850 out of 487,150 people in the civilian labor force were gainfully employed in February 1987. The unemployment rate fell to 4.2 percent, down 4 percent from January and down 26 percent from February 1986. Kauai experienced the biggest reduction of its unemployed. In February, it declined 9 percent from a month ago. Oahu was next with a 7 percent drop. Hawaii and Maui, on the other hand, saw their number of unemployed rise 2 and 4 percent, respectively, over January figures.

Total job counts in Hawaii continued to show positive growth. Statewide, total jobs rose in February to 489,700, 4 percent more than in February 1986. Job creation over last year was especially strong in the construction industry (up 27 percent), durable goods manufacturing (up 13 percent), and the hotel service industry (up 10 percent). Over-the-year decline was largest in the apparel and textile industry (down 10 percent).

The state's number one industry, tourism, showed mixed results in March. The total number of visitors staying overnight and longer for the first three months of 1987 was 3 percent higher than in 1986; but, the visitor count for the month of March, at 494,890 visitors, was 3 percent less than a year ago. Part of this drop can be attributed to

u. s. economic indicators

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
GROSS NATIONAL PRODUCT**					
In Current Dollars	bil. $	1st Qtr.	4,339p	1.9	4.6
In 1982 Dollars	bil. $	1st Qtr.	3,735p	1.1	2.2
PERSONAL INCOME**	bil. $	March	3,604p	0.1	4.6
INTEREST RATES					
AVERAGE PRIME RATE	percent	March	7.50	0.0	−17.6
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE**	bil. $	February	383.9p	0.7	2.7
CONSTRUCTION COST INDEXES					
Residences	1967 = 100	January	380.2	0.3'	2.1
Apts., Hotels, Office Bldgs.	1967 = 100	January	377.8	0.4'	2.1
EMPLOYMENT					
CIVILIAN EMPLOYMENT*	thous.	March	111,368	0.0	2.4
UNEMPLOYMENT*	thous.	March	7,854	−1.4	−6.3
UNEMPLOYMENT RATE*	percent	March	6.6	−1.5	−8.3
PRICES					
CONSUMER PRICE INDEXES					
Wage Earners and Clerical Workers	1967 = 100	March	330.5	0.5	2.8
All Urban Consumers	1967 = 100	March	335.9	0.4	3.0
PRODUCER PRICE INDEXES					
Finished Goods*	1967 = 100	March	293.2p	0.4	1.5
All Commodities	1967 = 100	February	302.7p	0.6	−0.6

r = revised.
p = preliminary.
'Compared to November, 1986.
*Seasonally adjusted.
**Seasonally adjusted at annual rates.

business activity in hawaii

GROSS STATE PRODUCT'	mil. $	Annual Total	17,529.7	.....	5.1
BUSINESS SALES					
STATE	mil. $	Jan.-Mar.	7,374.6	.....	14.9
Oahu	mil. $	Jan.-Mar.	6,226.6	.....	15.7
Maui County	mil. $	Jan.-Mar.	451.6	.....	2.6
Hawaii	mil. $	Jan.-Mar.	513.4	.....	22.9
Kauai	mil. $	Jan.-Mar.	183.0	.....	4.5
DIVERSIFIED MANUFACTURING	mil. $	Jan.-Mar.	153.0	.....	17.4
DIVERSIFIED AGRICULTURE	mil. $	Jan.-Mar.	66.5	.....	3.4
RETAILING	mil. $	Jan.-Mar.	2,618.0	.....	10.0
WHOLESALING	mil. $	Jan.-Mar.	1,825.2	.....	18.8
SERVICES	mil. $	Jan.-Mar.	1,773.2	.....	16.8
OAHU NEW CAR SALES	number	Jan.-Mar.	8,254	.....	−10.4
HONOLULU PRICES					
HONOLULU CONSUMER PRICE INDEX					
Wage Earners and Clerical Workers	1967 = 100	March	316.8e	0.4	3.1
All Urban Consumers	1967 = 100	March	309.5e	0.5	3.1
TOURISM					
VISITOR EXPENDITURES	mil. $	1985	4,900p	.....	15.3
OVERNIGHT OR LONGER VISITORS	number	March	494,890p	7.4	−2.8
	number	Jan.-Mar.	1,439,460p	.....	3.3
Westbound	number	March	369,250p	4.6	−12.3
	number	Jan.-Mar.	1,075,440p	.....	−1.1
Eastbound	number	March	125,640p	16.5	17.8
	number	Jan.-Mar.	364,020p	.....	19.1
AVERAGE DAILY VISITOR CENSUS	number	Jan.-Mar.	127,180p	.....	0.1
AVERAGE LENGTH OF STAY	no. of days	Jan.-Mar.	10.5p	.....	0.0
MEETING ATTENDANCE	number	March	24,711	.....	−10.3
ORGANIZED GROUP TOURS	number	Jan.-Mar.	212,670p	.....	−11.0
VISITOR COUNT BY COUNTY'					
Oahu	number	March	262,320p	4.4	−13.1
	number	Jan.-Mar.	765,850p	.....	−2.7
Maui County	number	March	166,540p	−1.9	−12.8
	number	Jan.-Mar.	494,950p	.....	−3.7
Hawaii	number	March	68,570p	−13.2	−4.9
	number	Jan.-Mar.	226,150p	.....	5.6
Kauai	number	March	86,980p	−4.4	3.7

p = preliminary.
e = estimated.
'Estimated.
'Estimated Westbound.

business activity in hawaii [cont.]

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
VISITOR ACCOMMODATIONS:					
STATE	number	Feb., 1986	66,308	.....	0.6
Oahu	number	Feb., 1986	39,010	.....	1.1
Waikiki	number	Feb., 1986	34,650	.....	2.3
Maui (Island)	number	Feb., 1986	13,451	.....	−0.5
Molokai	number	Feb., 1986	635	.....	1.3
Lanai	number	Feb., 1986	10	.....	0.0
Hawaii	number	Feb., 1986	7,280	.....	−3.1
Kauai	number	Feb., 1986	5,922	.....	4.7
HOTEL OCCUPANCY:					
STATE	percent	March	88.4p	−4.6	0.2
		Jan.-Mar.	87.8p	.....	−0.3
Oahu	percent	March	93.0p	−2.9	1.1
		Jan.-Mar.	92.7p	.....	1.6
Maui (Island)	percent	March	85.3p	−5.1	−6.3
		Jan.-Mar.	82.8p	.....	−7.1
Hawaii	percent	March	65.8p	−13.2	−1.9
		Jan.-Mar.	72.5p	.....	0.7
Kauai	percent	March	86.4p	1.1	2.7
DEFENSE EXPENDITURES					
APPROPRIATED FUNDS TOTAL	mil. $	Yr. to 4th Qtr.	1,871.9	.....	−8.9
Military Payroll	mil. $	Yr. to 4th Qtr.	832.6	.....	−2.0
Civilian Payroll	mil. $	Yr. to 4th Qtr.	618.6	.....	−1.4
Local Purchases	mil. $	Yr. to 4th Qtr.	420.8	.....	−27.2
SUGAR					
VALUE OF CROP SALES					
(Unprocessed Cane)	mil. $	1985	222.4	.....	−13.2
SUGAR PRODUCTION	thous. tons	Jan.-Mar.	143.2	.....	25.5
AVERAGE N. Y. RAW SUGAR PRICE	$/ton	Jan.-Apr.	434.0	.....	4.7
PINEAPPLE					
VALUE OF CROP SALES					
(Fresh Equivalent)	thous. $	1985	90.5	.....	0.7
SHIPMENTS: FRESH	thous. lbs.	Jan.-Mar.	54,863	.....	0.9
DIVERSIFIED AGRICULTURE					
CROPS	thous. $	1985	132,126	.....	12.6
FLOWERS & NURSERY PRODUCTS	thous. $	1985	44,247	.....	13.7
Anthurium Outshipments[1]	th. dozens	Jan.-Feb.	224.7	.....	−7.5
Potted Foliage Plants	thous. $	1985	12,019	.....	19.6
FRUITS & NUTS	thous. $	1985	43,244	.....	9.7
Papaya Sales	th. lbs.	Jan.-Mar.	11,470	.....	−1.9
Average Farm Price	cents/lb.	March	25.0	13.6	25.0
Macadamia Nut Sales (in shell)	th. lbs.	1986	44,000	.....	4.8
Average Farm Price	cents/lb.	1986	80.0	.....	10.3
VEGETABLES AND MELONS[2]	th. lbs.	Jan.-Apr.	20,624	.....	1.1
LIVESTOCK	thous. $	1985	82,821	.....	−4.8
BEEF PRODUCTION (Dressed Wt.)	th. lbs.	Jan.-Feb.	5,204	.....	−11.6
Average Farm Price (Feedlot Beef)	cents/lb.	February	85.0	0.6	6.3
HOG PRODUCTION (Dressed Wt.)	th. lbs.	Jan.-Feb.	1,042	.....	7.2
Average Farm Price	cents/lb.	February	103.0	−0.5	−1.0
MILK PRODUCTION	mil. lbs.	Jan.-Feb.	26.1	.....	2.8
Average Price Sold to Plants	$/100 lbs.	February	20.45	−0.4	1.1
EGG PRODUCTION	mil.	Jan.-Mar.	55.4	.....	−3.0
Average Farm Price	cents/doz.	March	82.5	1.9	13.8
PUBLIC UTILITIES					
ELECTRICITY GENERATED	mil. kwh.	Jan.-Mar.	1809.4	.....	2.5
GAS SALES	th. therms.	Jan.-Mar.	12,999	.....	4.2
TELEPHONE LINES IN SERVICE	thous.	Jan.-Mar.	484.7	.....	3.5

p = preliminary.
[1]From Hawaii County.
[2]Includes snap beans, cabbage, celery, sweet corn, cucumbers, onions, green peppers, tomatoes, and watermelons.

the extraordinary number of visitors that came to the islands in March 1986. That was the first time more than half a million tourists visited in one month. In March of this year the westbound visitor count dropped by 8 percent from 1986, while the eastbound visitor count increased by 18 percent.

An island-by-island look reveals that every county suffered a decrease in visitors in March. Maui sustained the largest decrease of 11 percent. Oahu was second, down by 9 percent. Hawaii's March count of 68,570 visitors, down 5 percent from March 1986, was the lowest visitor count since November of last year. Kauai registered the smallest decrease from a year ago of 1 percent. But, it was the first decline since November 1985, when the visitor count fell 1 percent short of the November 1984 figure.

In agriculture, sugar production remained strong. Following an outstanding start in January, production in 1987 has continued to outpace 1986. As of the first three months of 1987, 143,169 tons of sugar were produced, representing a 26-percent increase over 1986.

Fresh pineapple shipments also experienced a good March, reversing a declining trend established in the first two months of 1987. Twenty-one million tons of fresh pineapple were shipped, representing an 8-percent increase over a year ago. The cumulative January to March figure of 55 million tons represented a one-percent increase over the same period last year. This was the first positive increase in the cumulative total since 1985, when production grew by 4 percent over 1984.

Diversified agriculture production figures for March were not as pleasant. The latest figures for anthurium outshipments, papaya sales, and vegetable and melon production were all down. February anthurium shipments showed a 5-percent decrease from a year ago, continuing a downward trend that began in December of 1986. For the second consecutive month papaya sales declined also. March 1987 saw a 15-percent decrease in sales from March 1986. The same occurred in vegetable and melon production. 14 million pounds of vegetables and melons were produced in March, down 6.5 percent from last year, when 15 million pounds were produced.

Despite monthly decreases in new construction expenditures, 1987 continues to outdo 1986. The state cumulative total through March is 22 percent higher than a year ago. Oahu's cumulative total is also 22 percent higher than last year, while Maui, Hawaii, and Kauai increased 17 percent, 36 percent, and 4 percent respectively.

A NEW HAWAII SPACEPORT?

The international space race entered a new and wide-open phase last August when President Reagan decreed that NASA would no longer be in the business of launching commercial payloads into orbit. The void created by NASA's pullout from the commercial launch business has left private companies gearing up to grab their share of an estimated $6 billion space-launch industry. As commercial satellites accumulate, and with the ever increasing number of Expendable Launch Vehicles (ELV) being produced, Hawaii could loom as a big player by providing a strategically located commercial space launch facility.

There is little doubt that a space launch facility would make a tremendous contribution to the state economy. The proposed spaceport could create as many as 10,000 jobs for the maintenance, operation, and support of the facility. It could initially pump roughly a billion dollars into the state economy for infrastructure and facility construction. In addition, a spaceport operating at near or full capacity could generate around $300 to $500 million in annual revenues. This would make it the fifth largest industry in the state behind tourism, the military, construction, and agriculture.

There could also be indirect economic and social benefits as well, particularly to the University of Hawaii. The spaceport would attract high level aerospace engineers, space technologists, and a variety of scientists who could provide support to the University in the field of space-related research and development. The University is already a leading astronomical and geological research center, and could someday be a leading space technology education center. Engineering and science students could look forward to a challenging career right here in Hawaii. This could stem the high attrition rate of highly educated professionals leaving Hawaii.

Hawaii will not be without competition in its plans to develop a spaceport, not only from other states, but from several countries around the world, including France, China, Australia, Japan, and the Soviet Union. In addition, any private spaceport endeavor will have to compete against existing U.S. military space-launch facilities, which will be servicing most of the immediate satellite launch demand. There is also the distinct possibility that NASA's space shuttles might return to operation under a new administration. Most private

business activity in hawaii [cont.]

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
CONSTRUCTION PUT IN PLACE					
STATE	thous. $	Jan.-Mar.	498,876	.....	21.8
Oahu	thous. $	Jan.-Mar.	432,845	.....	21.8
Maui County	thous. $	Jan.-Mar.	25,085	.....	16.8
Hawaii	thous. $	Jan.-Mar.	29,641	.....	35.8
Kauai	thous. $	Jan.-Mar.	11,305	.....	3.5
HONOLULU CONSTRUCTION COST INDEXES					
SINGLE FAMILY	1967 = 100	March	373.1	0.6	2.1
HIGH-RISE	1967 = 100	March	387.5	0.8	0.8
PRIVATE PERMITS AUTHORIZED					
STATE: RESIDENTIAL	thous. $	January	47,461	.....	−17.9
Single Family Units	number	January	518	.....	94.0
Multiple Family Units	number	January	148	.....	−69.9
NONRESIDENTIAL	thous. $	January	45,298	.....	−16.0
OAHU: RESIDENTIAL	thous. $	Jan.-Mar.	86,915	.....	−14.9
Single Family Units	number	Jan.-Mar.	713	.....	117.4
Multiple Family Units	number	Jan.-Mar.	168	.....	−86.5
NONRESIDENTIAL	thous. $	Jan.-Mar.	71,480	.....	46.8
MAUI CO.: RESIDENTIAL	thous. $	January	8,556	.....	25.8
Single Family Units	number	January	115	.....	74.2
Multiple Family Units	number	January	0	.....	−100.0
NONRESIDENTIAL	thous. $	January	4,036	.....	22.2
HAWAII: RESIDENTIAL	thous. $	Jan.-Mar.	18,936	.....	25.3
Single Family Units	number	Jan.-Mar.	323	.....	23.3
Multiple Family Units	number	Jan.-Mar.	0	.....	−100.0
NONRESIDENTIAL	thous. $	Jan.-Mar.	9,000	.....	29.9
KAUAI: RESIDENTIAL	thous. $	Jan.-Mar.	15,365	.....	117.4
Single Family Units	number	Jan.-Mar.	136	.....	88.9
Multiple Family Units	number	Jan.-Mar.	1	.....	100.0
NONRESIDENTIAL	thous. $	Jan.-Mar.	14,678	.....	−58.1
PUBLIC CONTRACTS AWARDED					
TOTAL GOVERNMENT PROJECTS					
STATE	thous. $	Jan.-Apr.	109,175	.....	3.8
Oahu	thous. $	Jan.-Apr.	75,964	.....	−8.0
Maui County	thous. $	Jan.-Apr.	7,792	.....	−16.3
Hawaii	thous. $	Jan.-Apr.	10,943	.....	13.7
Kauai	thous. $	Jan.-Apr.	14,476	.....	293.6
BY LEVEL OF GOVERNMENT					
Federal	thous. $	Jan.-Apr.	19,989	.....	2.0
State	thous. $	Jan.-Apr.	61,607	.....	−0.9
County	thous. $	Jan.-Apr.	27,579	.....	17.9
REAL ESTATE RESALES					
STATE: Single Family	number	Jan.-Mar.	738	.....	15.1
Average Price	dollars	Jan.-Mar.	217,194	.....	32.8
Condominium	number	Jan.-Mar.	1,050	.....	31.4
Average Price	dollars	Jan.-Mar.	121,182	.....	11.7
OAHU: Single Family	number	Jan.-Mar.	476	.....	21.4
Average Price	dollars	Jan.-Mar.	253,329	.....	31.1
Condominium	number	Jan.-Mar.	760	.....	26.0
Average Price	dollars	Jan.-Mar.	117,376	.....	15.9
MAUI CO.: Single Family	number	Jan.-Mar.	116	.....	31.8
Average Price	dollars	Jan.-Mar.	196,240	.....	45.6
Condominium	number	Jan.-Mar.	225	.....	65.4
Average Price	dollars	Jan.-Mar.	132,153	.....	1.4
HAWAII: Single Family	number	Jan.-Mar.	105	.....	−14.6
Average Price	dollars	Jan.-Mar.	110,744	.....	16.3
Condominium	number	Jan.-Mar.	38	.....	52.0
Average Price	dollars	Jan.-Mar.	136,477	.....	56.3
KAUAI: Single Family	number	Jan.-Mar.	41	.....	7.9
Average Price	dollars	Jan.-Mar.	129,567	.....	−6.0
Condominium	number	Jan.-Mar.	27	.....	−22.9
Average Price	dollars	Jan.-Mar.	114,707	.....	12.8

n.a. = not available.

FIRST H
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population in hawaii

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
POPULATION					
STATE:					
Total De Facto Population	thous.	July 1, 1986	1,176.7	.....	2.1
Total Resident Population	thous.	July 1, 1986	1,062.3	.....	0.8
OAHU:					
Total De Facto Population	thous.	July 1, 1985	865.1	.....	1.0
Total Resident Population	thous.	July 1, 1985	814.6	.....	1.5
MAUI COUNTY:					
Total De Facto Population	thous.	July 1, 1985	115.5	.....	0.4
Total Resident Population	thous.	July 1, 1985	85.3	.....	2.2
HAWAII:					
Total De Facto Population	thous.	July 1, 1985	115.8	.....	2.2
Total Resident Population	thous.	July 1, 1985	109.2	.....	1.9
KAUAI:					
Total De Facto Population	thous.	July 1, 1985	55.6	.....	1.8
Total Resident Population	thous.	July 1, 1985	44.8	.....	1.4
CIVILIAN RESIDENT POPULATION:					
STATE	thous.	July 1, 1986	1,004.2	.....	0.7
MILITARY PERSONNEL:					
STATE	number	July 1, 1986	58,584	.....	1.0
Ashore	number	July 1, 1986	53,616	.....	−0.4
Afloat	number	July 1, 1986	4,968	.....	19.5
CIVILIAN MILITARY DEPENDENTS	number	July 1, 1986	66,210	.....	3.0
FOREIGN IMMIGRATION[1]	number	Jan.-Apr.	2,007	.....	8.3

p = preliminary.
[1]Includes only those entering Honolulu ports and does not include status changes.

income in hawaii

INCOME					
TOTAL PERSONAL INCOME**	mil. $	4th Qtr.	15,906p	0.9	6.3
EMPLOYMENT INCOME[1]	mil. $	4th Qtr.	12,240p	1.5	7.5
Manufacturing	mil. $	4th Qtr.	571p	6.3	7.3
Construction & Mining	mil. $	4th Qtr.	959p	10.0	27.9
Wholesale	mil. $	4th Qtr.	461p	0.2	1.5
Retail	mil. $	4th Qtr.	1,337p	1.0	3.8
Finance, Ins., & Real Estate	mil. $	4th Qtr.	897p	2.3	13.8
Trans., Comm., & Util.	mil. $	4th Qtr.	986p	0.6	5.7
Services	mil. $	4th Qtr.	3,012p	0.9	8.7
Farm & Other	mil. $	4th Qtr.	330p	−13.4	0.9
Federal Civilian	mil. $	4th Qtr.	992p	0.3	2.5
Federal Military	mil. $	4th Qtr.	1,362p	0.5	0.4
State & Local	mil. $	4th Qtr.	1,333p	2.3	9.2
PROPERTY INCOME (Dividends, Interest, & Rent)	mil. $	4th Qtr.	2,229p	−1.5	1.8
TRANSFER PAYMENTS (2,243) minus Personal Contributions for Social Insurance (806)	mil. $	4th Qtr.	1,437p	−0.3	3.6
STATE	dollars	1985	13,542p	.....	3.8
Oahu	dollars	1984	13,709p	.....	5.7
Maui County	dollars	1984	11,611p	.....	5.9
Hawaii	dollars	1984	9,998p	.....	5.2
Kauai	dollars	1984	10,564p	.....	6.9

**Total personal income and all components are seasonally adjusted at annual rates.
[1]Includes wage and salary disbursements, proprietors' income, and other labor income.
p = preliminary.

launch facilities will need substantial military orders to make operations worthwhile. But, if the shuttle resumes regular flights, it will gobble up most of the military payload market.

The immediate question is: will there be enough demand to support commercial launch facilities estimated to be operating in the next three to five years. According to the U.S. Department of Transportation, commercial demand for rocket-launch facilities will grow over the next several years because of current demand combined with a backlog developed while the space shuttle and the French Ariane rockets were grounded.

However, the Department of Transportation also warned that the market may be overestimated in the long run as a result of the heavy short-term demand. It also estimates that there will be as many as six companies involved in commercial launch services over the next few years. But, once the backlog is worked off, those ranks will thin. Based on a forecast funded by NASA, it is estimated that 12 to 16 payloads will need commercial launch facilities on a yearly basis.

In addition, the Federation of American Scientists doubts that there will be enough sustained demand to support a significant worldwide launch industry. There are now about 1,500 satellites of all kinds in various orbits above the earth. The communications-satellite business is estimated to be nearly 50 percent over capacity, and the satellite market for telephone and television communications is already fairly well saturated.

However, according to Transpace Carriers, Inc. much of what is already up there will need to be replaced, and some 120 commercial satellites will be looking for lifts between now and 1992. Also, with the increased number of operational launch facilities, space launch prices should decline markedly. This could spark demand for low-price payloads that would normally be unaffordable. In the future there could be everything from personal communication satellites to final resting places in space for a loved one's ashes.

The market could ultimately enter into a price war between competitors. This would not be new to Hawaii. In the last twenty years, Hawaii has invested billions of dollars in its visitor industry with the confidence that its comparative advantage would attract tourists from all over the world. The investment has indeed paid off several times over. But, there are questions concerning Hawaii's comparative advantage in building a spaceport on the Big Island.

AWAIIAN BANK

Hawaii certainly has a number of logistical advantages, some of which are:

1. Its wide range of potential launch azimuths (directions), including a northern and southern polar orbit launch without overflying populated areas;
2. Its close proximity to the equator providing greater rocket fuel efficiency;
3. Its mild year round temperatures;
4. The possibility of low-cost land acquisition, if C. Brewer's donation of land in Ka'u is utilized for the launch site; and,
5. The availability of labor, community facilities, and some communication and transportation infrastructure already in place.

However, Hawaii also has its share of logistical disadvantages. For example:

1. Construction costs in Hawaii are about 1.4 times higher than on the mainland;
2. The distance from the continental U.S. would make shipping of satellites risky and costly. It would also make shipping of Heavy-Lift Launch Vehicles (HLLV) difficult, if not impossible; and,
3. Geological conditions on the Big Island could make ground stability a problem.

Unfortunately, other obstacles could stand in the way of a Hawaiian spaceport. For example, commercial insurance is extremely difficult to obtain for the coverage of satellite launchings. If insurance companies do eventually insure satellite launchings they will definitely impose very strict criteria, possibly favoring certain launch locations over others. Another obstacle is the potential for legal opposition similar to that which opposed construction of the H-3 project. This would seriously impair Hawaii's ability to compete because of the importance of timing in the marketplace.

Further opposition can also be expected from the 1,800 native Hawaiians on the Big Island waiting for 11,000 acres of homestead lots on and around the proposed spaceport site. The launch facility itself is estimated to require 3,000-5,000 acres. Combined with a ten-mile buffer zone, the total area required could exceed 50,000 acres or 80 square miles.

During the past state legislative session, a bill was passed appropriating $250,000 for a Hawaii spaceport feasibility study. This study is scheduled to be completed this summer, and will most likely consider the obstacles cited

employment and jobs in hawaii

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
EMPLOYMENT					
STATE:					
Civilian Labor Force	thous.	March	495.2p	1.6	2.0
Employment	thous.	March	476.1p	2.0	3.3
Unemployment	thous.	March	19.1p	−5.9	−22.7
Unemployment Rate	percent	March	3.9p	−7.1	−23.5
OAHU:					
Civilian Labor Force	thous.	March	372.2p	2.0	2.2
Employment	thous.	March	358.9p	2.2	3.2
Unemployment	thous.	March	13.3p	−4.3	−19.4
Unemployment Rate	percent	March	3.6p	−5.3	−20.0
MAUI COUNTY:					
Civilian Labor Force	thous.	March	49.3p	0.2	3.6
Employment	thous.	March	47.4p	1.1	5.6
Unemployment	thous.	March	2.0p	−13.0	−25.9
Unemployment Rate	percent	March	4.0p	−13.0	−29.8
HAWAII:					
Civilian Labor Force	thous.	March	50.6p	0.8	0.8
Employment	thous.	March	47.7p	1.5	2.8
Unemployment	thous.	March	2.9p	−9.4	−23.7
Unemployment Rate	percent	March	5.7p	−9.5	−25.0
KAUAI:					
Civilian Labor Force	thous.	March	23.1p	0.9	−0.9
Employment	thous.	March	22.1p	1.4	2.3
Unemployment	thous.	March	0.9p	−10.0	−47.1
Unemployment Rate	percent	March	4.1p	−6.8	−44.6
JOB COUNT BY INDUSTRY					
TOTAL JOBS—STATE	thous.	March	496.2p	1.3	4.5
SUGAR (Mill and Field)	thous.	March	7.0p	−0.7	−5.4
PINEAPPLE (Cannery and Field)	thous.	March	3.7p	2.8	1.4
DIVERSIFIED MANUFACTURING					
(Excluding Sugar and Pineapple)	thous.	March	16.7p	−0.3	0.3
Durable Goods	thous.	March	3.9p	−1.3	11.6
Non-Durable Goods	thous.	March	12.8p	0.0	−2.7
Apparel and Textiles	thous.	March	3.1p	0.0	−11.4
DIVERSIFIED AGRICULTURE (Excluding Sugar And Pineapple, but including Agricultural Self-Employed)	thous.	March	7.9p	0.6	2.6
CONTRACT CONSTRUCTION	thous.	March	21.6p	0.2	31.0
TRANSPORTATION	thous.	March	24.5p	−0.2	−1.0
COMMUNICATION	thous.	March	7.2p	0.0	−0.7
UTILITIES	thous.	March	2.7p	1.9	8.2
RETAIL TRADE	thous.	March	100.3p	1.1	3.5
WHOLESALE TRADE	thous.	March	19.4p	0.3	−0.3
FINANCE, INSURANCE AND REAL ESTATE	thous.	March	33.3p	0.5	2.9
HOTEL SERVICES—STATE	thous.	March	30.1p	−0.3	7.1
Oahu	thous.	March	16.9p	−0.9	2.7
Maui County	thous.	March	6.7p	0.0	14.5
Hawaii	thous.	March	4.1p	0.0	15.7
Kauai	thous.	March	2.5p	0.0	6.5
OTHER SERVICES	thous.	March	92.7p	1.1	8.9
FEDERAL GOVERNMENT	thous.	March	32.0p	−0.2	−0.2
Civilian Agencies	thous.	March	12.0p	−0.4	3.9
Defense Department	thous.	March	20.0p	−0.3	−2.7
STATE GOVERNMENT	thous.	March	52.6p	2.7	3.1
COUNTY GOVERNMENT	thous.	March	12.9p	0.4	2.4
NON-AGRICULTURE SELF-EMPLOYED	thous.	March	32.2p	9.7	3.0
UNEMPLOYMENT INSURANCE					
INSURED UNEMPLOYMENT (Weekly Average)	number	March	7,357	−2.2	−23.6
INTRASTATE INITIAL CLAIMS	number	Jan.-Mar.	13,343	.....	−18.6
INTERSTATE INITIAL CLAIMS	number	Jan.-Mar.	902	.....	−12.5
UNEMPLOYMENT INSURANCE BENEFITS	thous. $	Jan.-Mar.	11,779	.....	−21.3

p=preliminary.
[1]Count of recipients is duplicated. A person may be counted in each category.

public assistance in hawaii

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
PUBLIC ASSISTANCE					
INCOME MAINTENANCE:					
Recipients*	no./persons	March	48,355	−7.3	−13.1
Payments	thous. $	Jan.-Mar.	21,798	.....	−6.2
MEDICAL ASSISTANCE:					
Recipients*	no./patients	April	44,849	−4.3	−1.8
Payments	thous. $	Jan.-Apr.	52,687	.....	15.8
FOOD STAMPS:					
Recipients*	no./persons	February	86,174	−1.2	98.8
Payments	thous. $	Jan.-Feb.	14,391	.....	−4.3
SERVICES:					
Recipients*	no./cases	4th Qtr.	7,608	−4.2	1.2
Payments	thous. $	Yr. to 4th Qtr.	17,991	.....	15.8

Count of recipients is duplicated. A person may be counted in each category.

banking and finance in hawaii

FINANCE					
COMMERCIAL BANK DEPOSITS:					
STATE:					
Total Deposits	mil. $	March	8,792.6	2.6	16.2
Debits To Demand Deposits	mil. $	March	9,778.6	.....	22.5
OAHU:					
Total Deposits	mil. $	March	7,303.3	2.2	16.8
Debits To Demand Deposits	mil. $	March	8,779.7	.....	21.8
MAUI COUNTY:					
Total Deposits	mil. $	March	586.8	5.0	18.3
Debits To Demand Deposits	mil. $	March	462.5	.....	41.7
HAWAII:					
Total Deposits	mil. $	March	601.8	1.4	8.3
Debits To Demand Deposits	mil. $	March	361.4	.....	17.1
KAUAI:					
Total Deposits	mil. $	March	261.6	−4.3	0.0
Debits To Demand Deposits	mil. $	March	175.1	.....	23.5
BANK LOANS OUTSTANDING — STATE*	mil. $	4th Qtr.	5,062.7	6.5	9.7
Real Estate	mil. $	4th Qtr.	2,099.3	4.8	11.6
Consumer	mil. $	4th Qtr.	1,085.0	1.7	2.9
Commercial & Industrial	mil. $	4th Qtr.	1,468.5	9.6	9.8
Other	mil. $	4th Qtr.	328.7	19.8	−3.6
CONVENTIONAL HOME MORTGAGE RATES: HONOLULU SAVINGS & LOAN ASSOCIATIONS*	percent	February	9.2	−2.1	na
TOTAL DEPOSITS	mil. $	January	3,559.4	0.0	12.6
TOTAL LOANS	mil. $	January	93.1	−52.8	49.0
MORTGAGE LOANS	mil. $	January	72.7	−58.6	41.7
TAX COLLECTIONS:*					
STATE	thous. $	Jan.-Mar.	441,251	39.7	14.8
Oahu	thous. $	Jan.-Mar.	382,010	39.5	15.6
Maui County	thous. $	Jan.-Mar.	26,546	43.0	16.9
Hawaii	thous. $	Jan.-Mar.	23,227	39.0	8.4
Kauai	thous. $	Jan.-Mar.	9,466	42.7	−5.0

Figures contain domestic balances only.
Includes Hawaii and Guam. Reporting categories changed in July, 1985.
Taxes collected by the State Department of Taxation. Excludes property taxes which were formerly collected by the State but are now collected by the Counties.

in detail, as well as other concerns such as: (1) the environmental impact in terms of the effect of aluminum oxide and hydrochloric acid pollution from rocket emissions; (2) whether Hawaii County has the roads, water supply, and other public facilities to support a launch facility; (3) the effects of a launch facility on the local population, in terms of jobs, lifestyle; and (4) property risks, catastrophic risks, and the possibility that the required infrastructure will actually downgrade current living conditions rather than upgrade them.

Moreover, a lot will depend on the level of international support Hawaii receives during an upcoming Pacific Basin Space Conference scheduled for this summer in Kona. Since it would be very difficult for Hawaii or any single Pacific Basin country to compete in the international market on their own, cooperation will be a key factor in justifying future development.

The primary goal of the conference should be to unite the Pacific Basin towards the common goal of developing a highly competitive space center in the Pacific, rather than touting prospective individual sites. If a consortium of interested countries were agreed upon, then a joint study could be made by these countries to determine the most mutually advantageous site for the new space center.

It is too early to say whether a space launch facility is in Hawaii's best interest or not. Recent industry events certainly indicate that the timing is right. But, it may be wise for Hawaii to thoroughly examine all of the pertinent facts before making any commitments.

Because of the high degree of risk attached to this project, it will most likely provoke a strong conflict between the public interests of the community-at-large, and local community concerns. There will also be special-interest groups that will fight the proposed launch facility. However, sacrifices will most likely have to be made for the good of the entire state and for all concerned.

Most people would agree that a space launch facility could be a tremendous boost to our economy. A launch facility would also do much to relieve the state's dependency on the visitor industry. For these reasons, it is important to maintain an open mind while awaiting the completion of the state sponsored feasibility study and the Pacific Basin Space Conference. Before then, it would be premature to judge the relative merits associated with the development of a new spaceport facility in Hawaii.

ECONOMIC INDICATORS

A Bimonthly Report on Current Economic Conditions in Hawaii
by the Research Department, First Hawaiian Bank
P.O. Box 3200; Honolulu, Hawaii; 96847

May/June 1987

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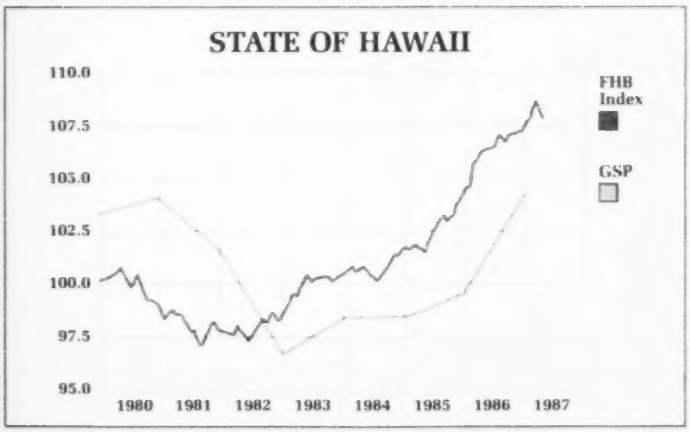

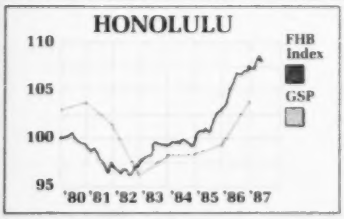

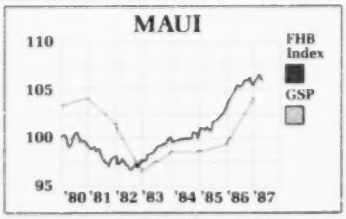

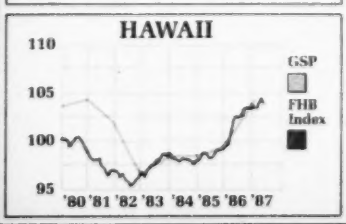

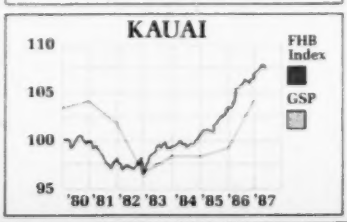

FIRST HAWAIIAN BANK INDEX OF LEADING ECONOMIC INDICATORS

First Hawaiian Bank is proud to inaugurate a new Index of Leading Economic Indicators for the State of Hawaii and its counties. Since the 1930s, indexes of leading economic indicators have been used to guide the economic decisions of business leaders and policy makers. The First Hawaiian Bank Index, shown in brown on each graph, is designed to signal changes in the direction of future aggregate economic activity with an average lead time of six months. For the purpose of comparing the index with actual economic activity, gross state product, adjusted for inflation, is shown in yellow on each graph. The statistical indicators used in the index include data on worker productivity, employment, visitor counts, construction, inflation, interest rates, corporate earnings, money supply, and financial activity. The index for the State of Hawaii showed a 0.6 percent increase in the first quarter of 1987 indicating moderate growth through 1987. The index will be updated in each bi-monthly issue.

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9/16/87 B3500 -1

ISSN 0015-2757

ECONOMIC INDICATORS

Research Department, First Hawaiian Bank | July/August 1987

The Impact of Declining Defense Spending in Hawaii

For over fifty years, federal defense spending has played a significant role in the development of Hawaii's economy. Important military establishments dot the islands and serve as visible evidence of their economic and social impact. Hawaii is the location of the Unified Command Headquarters for the Pacific and the headquarters of the U.S. Navy Pacific Fleet, the Fleet Marine Force, the U.S. Army, and U.S. Air Force, the site of the Kaneohe Marine Corps Air Station, and the 14th Coast Guard District. The Army and Air National Guard, as well as an Army Reserve Corps augmentation, also call Hawaii their home base. Total military personnel in Hawaii number 58,584 persons. Military dependents total another 66,210 persons. Together, military-related persons in Hawaii came to 12 percent of Hawaii's total resident population in 1986.

Defense expenditures in Hawaii, in inflation-adjusted 1967 dollars, averaged $640 million per year for the last twenty years, only fluctuating an average of 3 percent between 1971 and 1981. Then, in 1983, during the height of the Reagan administration's military build-up, defense expenditures in the state increased to a record $706 million, a 10-percent increase over the twenty year average.

For the past three years, military expenditures have declined in real terms. The state is currently receiving 3 percent less defense income than the twenty-year average, or roughly the same amount as it did in 1976. These facts raise the questions: what effect has the recent decline in defense spending had on the state economy; and, can the state expect more of the same in the future?

To answer these questions, we need to examine the different ways in which defense spending affects the state economy. Military purchases of local goods and services is the most important source of economic activity in the state. Expenditures of department of defense personnel pay also stimulate economic activity through direct retail sales. In addition, both military purchases of goods and services and military and civilian defense payrolls generate multiplier effects throughout the economy. Dependents of military personnel stationed in Hawaii also become part of the civilian labor force, and contribute to consumer expenditures in the state. Finally, there is the indirect effect of military spending on private investment, as well as state and county services.

Military and civilian defense payroll expenditures affect the state economy primarily through the purchase of local goods and services. This category declined by 2 percent from $1.48 billion to $1.45 billion between 1985 and 1986. Since Department of Defense personnel, on the average, spend about one-third of their gross income on local goods and services, the result was a decrease of roughly $9 million in local business in 1986.

Fluctuations in Department of Defense civilian payrolls affect the state economy in terms of employment. For example, employment decreased approximately 2 percent from 20,750 in 1985 to 20,350 in 1986, a decline of 400 jobs.

Defense expenditures on supplies, equipment, and services from local businesses have the largest impact on the state economy and were the hardest hit by the recent reductions. Expenditures in this category fell by 37 percent, or $157 million, from $578 million in 1985 to $421 million in 1986. Estimates of the multiplier effect for this category show that for each dollar spent by the military on supplies, equipment, and services, an additional 55 cents in terms of new income is realized by the state. So, the 1985 to 1986 reductions in contract purchases of supplies, equipment, and services of $157 million is estimated to have resulted in a $243 million reduction in income to the state.

Another aspect of the overall decline in defense spending is the shift in its importance relative to other sectors of the economy. The tourism industry first surpassed the military as the number one contributor to the state economy in 1972. Since then, tourism has grown by two and a half times, while defense spending in the state has been fairly constant. Other state industries, such as construction and agriculture, have also grown much faster than defense spending. As a result, the proportionate contribution of defense spending to gross state product has decreased from 25 percent in 1966 to 10 percent in 1986.

The outlook for defense expenditures in Hawaii is very difficult to estimate at the present time. Three important determining factors will be: the defense policy of the new administration to be elected in 1988; the likelihood of defense cuts if a balanced budget amendment is passed; and the potential implications of the Gramm-Rudman budget deficit cuts. Because Hawaii is expected to remain a strategic location vital to national defense, the probability of any drastic future defense spending reductions in Hawaii is remote. Nevertheless, in the face of dynamic growth in other sectors in the economy, and in the absence of renewed growth in military expenditures, the impact of the military sector on Hawaii's economy can be expected to continue its declining trend.

FIRST HAWAIIAN BANK
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JULY/AUGUST 1
FEATURE STORY:
THE COFFEE INDUSTRY IN HAWAII

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CURRENT BUSINESS TRENDS

The Hawaiian economy grew at an impressive rate through the first half of the year, despite mixed numbers from some of its major industries. State gross business receipts, through May, stood at $12.4 billion, up 14 percent from the same period last year. For the state, diversified manufacturing, wholesaling, and service-industry tax-base sales were up by 15 percent through May from the same period last year. Retailing and diversified agriculture sales were up by 11 and 9 percent, respectively, through May, while auto sales fell off by 4 percent.

As of May, the cumulative number of visitors staying overnight or longer stood at 2.3 million, the same level as 1986. Of the total, westbound visitors were 8 percent behind 1986, while eastbound visitors were 14 percent ahead of 1986. Westbound visitor counts on Oahu and Maui were down 5 and 8 percent respectively, while Kauai experienced no change, and the Big Isle realized a scant 1-percent increase. The sluggish performance of the visitor industry was also reflected in occupancy rates, which declined by 2 percent statewide. Honolulu and Hawaii experienced flat occupancy rates, while occupancy on Maui and Kauai fell by 10 percent and 6 percent, respectively.

Statewide, the construction industry remained robust through May, with construction-put-in-place reaching $859 million, up by 19 percent from the same period last year. The Big Isle realized the largest construction-put-in-place gain, through May, up by 31 percent from last year. Continued construction growth in the future appears likely as aggregate private permits authorized for the state increased by 12 percent from last year. Most of this private-permit growth was attributable

u. s. economic indicators

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
GROSS NATIONAL PRODUCT**					
In Current Dollars	bil. $	1st Qtr.	4,352r	2.2	4.9
In 1982 Dollars	bil. $	1st Qtr.	3,739r	1.2	2.3
PERSONAL INCOME**	bil. $	May	3,630r	0.2	4.3
INTEREST RATES					
AVERAGE PRIME RATE	percent	June	8.25	1.4	−2.9
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE**	bil. $	April	384.1p	0.4	2.7
CONSTRUCTION COST INDEXES:					
Residences	1967 = 100	March	380.2	0.0'	2.1
Apts., Hotels, Office Bldgs.	1967 = 100	March	378.1	0.1'	2.2
EMPLOYMENT					
CIVILIAN EMPLOYMENT*	thous.	May	112,447	0.5	3.0
UNEMPLOYMENT*	thous.	May	7,546	0.6	−10.4
UNEMPLOYMENT RATE*	percent	May	6.2	0.0	−12.7
PRICES					
CONSUMER PRICE INDEXES:					
Wage Earners and Clerical Workers	1967 = 100	May	333.4	0.2	3.7
All Urban Consumers	1967 = 100	May	338.7	0.3	3.8
PRODUCER PRICE INDEXES:					
Finished Goods*	1967 = 100	March	295.0p	0.9	2.7
All Commodities	1967 = 100	February	305.1p	0.8	2.3

r = revised.
p = preliminary.
'Compared to January, 1987.
*Seasonally adjusted.
**Seasonally adjusted at annual rates.

business activity in hawaii

	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
BUSINESS SALES					
GROSS BUSINESS RECEIPTS:					
STATE	mil. $	Jan.-May	12,389.1	.....	14.0
Oahu	mil. $	Jan.-May	10,405.3	.....	14.4
Maui County	mil. $	Jan.-May	832.5	.....	7.3
Hawaii	mil. $	Jan.-May	845.4	.....	21.8
Kauai	mil. $	Jan.-May	305.9	.....	1.4
DIVERSIFIED MANUFACTURING	mil. $	Jan.-May	253.8	.....	14.7
DIVERSIFIED AGRICULTURE	mil. $	Jan.-May	114.8	.....	10.6
RETAILING	mil. $	Jan.-May	4,368.4	.....	8.7
WHOLESALING	mil. $	Jan.-May	3,067.1	.....	18.5
SERVICES	mil. $	Jan.-May	2,993.2	.....	14.2
OAHU NEW CAR SALES	number	Jan.-May	14,649p	.....	−3.8
HONOLULU PRICES					
HONOLULU CONSUMER PRICE INDEX:					
Wage Earners and Clerical Workers	1967 = 100	May	320.3e	0.4'	4.6
All Urban Consumers	1967 = 100	May	312.6e	0.3'	4.5
TOURISM					
VISITOR EXPENDITURES	mil. $	1986	5,550	.....	15.3
OVERNIGHT OR LONGER VISITORS	number	May	435,940p	3.1	−3.7
	number	Jan.-May	2,298,160p	.....	0.0
Westbound	number	May	321,530p	−0.4	−8.1
	number	Jan.-May	1,719,860p	.....	−3.9
Eastbound	number	May	114,410p	14.6	11.3
	number	Jan.-May	578,300p	.....	13.7
AVERAGE DAILY VISITOR CENSUS	number	Jan.-May	116,670p	.....	−3.2
AVERAGE LENGTH OF STAY	no. of days	Jan.-May	10.2p	.....	0.0
MEETING ATTENDANCE	number	May	28,170	.....	−10.3
ORGANIZED GROUP TOURS	number	Jan.-May	334,630p	.....	−15.5
VISITOR COUNT BY COUNTY*:					
Oahu	number	May	233,600p	2.5	−8.2
	number	Jan.-May	1,227,260p	.....	−5.2
Maui County	number	May	144,620p	−1.9	−11.5
	number	Jan.-May	786,970p	.....	−7.5
Hawaii	number	May	59,180p	1.2	−1.4
	number	Jan.-May	343,790p	.....	1.1
Kauai	number	May	79,670p	−0.6	−8.3
	number	Jan.-May	420,770p	.....	0.3

p = preliminary.
e = estimated.
'Compared to estimated April, 1987.
*Estimated Westbound.

business activity in hawaii [cont.]

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
VISITOR ACCOMMODATIONS					
STATE	number	Feb., 1987	65,318	.....	−1.5
Oahu	number	Feb., 1987	38,815	.....	−0.5
Waikiki	number	Feb., 1987	34,014	.....	−1.8
Maui (Island)	number	Feb., 1987	13,264	.....	−1.4
Molokai	number	Feb., 1987	575	.....	−9.4
Lanai	number	Feb., 1987	10	.....	0.0
Hawaii	number	Feb., 1987	7,328	.....	0.7
Kauai	number	Feb., 1987	5,956	.....	0.6
HOTEL OCCUPANCY					
STATE	percent	May	77.0p	1.6	−1.7
		Jan.-May	83.1p	.....	−1.9
Oahu	percent	May	80.4p	0.8	−0.1
		Jan.-May	87.5p	.....	−0.3
Maui (Island)	percent	May	75.8p	0.3	−10.4
		Jan.-May	79.7p	.....	−9.7
Hawaii	percent	May	60.1p	5.3	3.6
		Jan.-May	67.2p	.....	−0.1
Kauai	percent	May	76.5p	9.3	−5.1
		Jan.-May	76.3p	.....	
DEFENSE EXPENDITURES					
APPROPRIATED FUNDS, TOTAL	mil. $	1st Qtr.	468.4	.....	−1.9
Military Payroll	mil. $	1st Qtr.	213.3	.....	4.7
Civilian Payroll	mil. $	1st Qtr.	141.9	.....	−1.4
Local Purchases	mil. $	1st Qtr.	113.1	.....	−12.7
SUGAR					
VALUE OF CROP SALES					
(Unprocessed Cane)	mil. $	1985	222.4	.....	−13.2
SUGAR PRODUCTION	thous. tons	Jan.-May	288.1	.....	−8.7
AVERAGE N. Y. RAW SUGAR PRICE	$/ton	Jan.-May	435.4	.....	4.9
PINEAPPLE					
VALUE OF CROP SALES					
(Fresh Equivalent)	thous. $	1985	90.5	.....	0.7
SHIPMENTS, FRESH	thous. lbs.	Jan.-June	117,711	.....	−1.9
DIVERSIFIED AGRICULTURE					
CROPS	thous. $	1985	132,126	.....	12.6
FLOWERS & NURSERY PRODUCTS	thous. $	1985	44,247	.....	13.7
Anthurium Outshipments	th. dozens	Jan.-May	580.1	.....	−10.5
Potted Foliage Plants	thous. $	1985	12,019	.....	19.6
FRUITS & NUTS	thous. $	1985	43,244	.....	9.7
Papaya Sales	th. lbs.	Jan.-May	19,685	.....	−7.9
Average Farm Price	cents/lb.	May	26.0	4.0	23.8
Macadamia Nut Sales (in shell)	th. lbs.	1986	44,000	.....	4.8
Average Farm Price	cents/lb.	1986	80.0	.....	10.3
VEGETABLES AND MELONS*	th. lbs.	Jan.-May	27,525	.....	0.5
LIVESTOCK	thous. $	1985	82,821	.....	−4.8
BEEF PRODUCTION (Dressed Wt.)	th. lbs.	Jan.-Mar.	8,501	.....	−3.1
Average Farm Price (Feedlot Beef)	cents/lb.	March	84.5	−0.6	8.3
HOG PRODUCTION (Dressed Wt.)	th. lbs.	Jan.-May	2,618	.....	3.5
Average Farm Price[a]	cents/lb.	May	103.0	1.0	−1.0
MILK PRODUCTION	mil. lbs.	Jan.-May	68.5	.....	2.4
Average Price Sold to Plants	$/100 lbs.	May	19.74	0.8	−0.1
EGG PRODUCTION	mil.	Jan.-May	93.9	.....	−2.5
Average Farm Price	cents/doz.	May	82.0	1.2	3.8
PUBLIC UTILITIES					
ELECTRICITY GENERATED	mil. kwh.	Jan.-May	3038.3	.....	2.0
GAS SALES	th. therms.	Jan.-May	21,486	.....	4.3
TELEPHONE LINES IN SERVICE	thous.	Jan.-May	487.8	.....	4.0

p = preliminary.
[a]From Hawaii County.
*Includes snap beans, cabbage, celery, sweet corn, cucumbers, onions, green peppers, tomatoes, and watermelons.

to residential permits, up by 32 percent, while non-residential permits declined by 14 percent.

In agriculture sugar production totalled 288,080 tons, through May, off by 9 percent from last year's mark. Sugar prices, on the other hand, advanced to a three-year high of $441 per ton, offsetting the decline in production.

The pineapple industry's sluggishness continued through May, with fresh pineapple shipments amounting to 96,364,000 pounds, a 5-percent decline over the same period last year. However, employment in the cannery and pineapple fields, through May, increased by 5 percent over the previous year, indicating industry optimism.

Overall, diversified agriculture has done relatively poorly through the first half of 1987. Although employment in the industry maintained the same level as last year, most categories lost substantial ground. Anthurium outshipments decreased by 7 percent through April, with a total of 450,300 dozens being exported. Papaya sales decreased by 8 percent for the year, while the average farm price increased by 24 percent. Vegetables and melons experienced a slight increase of about 1 percent through the first five months of 1987.

The livestock industry experienced mixed numbers through the first quarter. Beef production amounted to 8,501,000 dressed-weight pounds, a decrease of 3 percent from the first quarter of 1986, while the average price for feedlot beef increased by 8 percent to 84.5 cents per pound. Hog farmers experienced just about the opposite, with hog production increasing by 4 percent, and the average farm price decreasing by 3 percent to 103 cents per pound.

The two-year boom in the sales of existing real estate properties showed no signs of slowing through the first half of the year. Through June, resales of single-family homes increased by 31 percent, while resales of condominiums increased by 51 percent from the same period last year. The rapid price increases that have accompanied this resale boom have not wavered either. The average price of a single-family home increased by 5 percent in June to $245,113, while the average condominium price increased by 2 percent to $125,015 in June.

On the financial side, total bank deposits in the state, through May, increased to $8.8 billion, up by 17 percent from the same period last year. In addition, per capita personal income in the state increased by 6 percent in 1986 to $14,691. Both of these factors indicate a high degree of liquidity, necessary to fuel future economic expansion.

THE COFFEE INDUSTRY IN HAWAII

Commercial coffee cultivation in Hawaii is as old as the sugar industry, both having started in the 1830s. Sugar spread from Kauai to the other major islands and became Hawaii's largest agricultural industry. Coffee also spread from Kauai to the other islands, but given stringent world competition, cultivation languished, and the industry retreated to a small area of Kona. It was only due to the superior gourmet quality of the coffee that it was able to survive years of adversity.

However, while sugar acreage has been declining for over two decades, coffee has found new life in Hawaii. Improved marketing has increased returns to growers during the past several years, and for the first time in decades, growers are finding it profitable to expand acreage and invest in the proper maintenance of their orchards.

Not only is acreage increasing in Kona, but large tracts of land elsewhere are being put into coffee. Some even feel that coffee has the potential to replace sugar as the major agricultural crop in Hawaii.

Coffee was first planted in Hawaii in 1817 by Don Francisco de Paula Martin. There are two coffee species: robusta that grows in the lowlands; and arabica, which does best in elevations around 1,000 feet or more. Several varieties of arabicas are grown in Hawaii. The first coffee plantations were started in 1835 on Kauai, where cultivated orchards increased to 1,000 acres by 1840.

Coffee became an export item in 1845. Up to then, this commodity was consumed locally or sold to whaling ships that called here regularly. Soon coffee was grown on all the major islands, and by 1850, there were two large plantations and many small farms growing this crop in Kona. However, fluctuations in the world price of coffee, to which local production was tied, caused volatile fluctuations in acreage. Large plantations could not exist in this economic climate. It became apparent that only a family-type operation could survive this feast or famine environment because of their ability to control labor costs. Thus, the pattern for the development of the coffee industry in Kona was set.

Around the time of Hawaii's annexation by the United States, high coffee prices attracted speculators seeking quick profits. Total coffee acreage shot up to 14,000 acres, probably the record high for Hawaii. But, these large operations could not survive the uncertainties of the world coffee market. By the time

business activity in hawaii [cont.]

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
CONSTRUCTION PUT IN PLACE					
STATE	thous. $	Jan.-May	858,956	.....	19.4
Oahu	thous. $	Jan.-May	745,486	.....	18.7
Maui County	thous. $	Jan.-May	44,136	.....	23.6
Hawaii	thous. $	Jan.-May	50,728	.....	31.3
Kauai	thous. $	Jan.-May	18,606	.....	11.7
HONOLULU CONSTRUCTION COST INDEXES					
SINGLE FAMILY	1967 = 100	May	373.4	−0.2	1.8
HIGH-RISE	1967 = 100	May	387.9	−0.3	0.7
PRIVATE PERMITS AUTHORIZED					
STATE RESIDENTIAL	thous. $	Jan.-Apr.	250,597	.....	36.7
Single Family Units	number	Jan.-Apr.	2,063	.....	64.9
Multiple Family Units	number	Jan.-Apr.	389	.....	−72.3
NONRESIDENTIAL	thous. $	Jan.-Apr.	129,302	.....	−17.5
OAHU RESIDENTIAL	thous. $	Jan.-May	184,049	.....	28.2
Single Family Units	number	Jan.-May	1,175	.....	84.2
Multiple Family Units	number	Jan.-May	276	.....	−80.8
NONRESIDENTIAL	thous. $	Jan.-Apr.	79,479	.....	3.6
MAUI CO. RESIDENTIAL	thous. $	Jan.-Apr.	40,967	.....	51.4
Single Family Units	number	Jan.-Apr.	408	.....	45.7
Multiple Family Units	number	Jan.-Apr.	160	.....	196.3
NONRESIDENTIAL	thous. $	Jan.-Apr.	12,336	.....	27.5
HAWAII RESIDENTIAL	thous. $	Jan.-May	32,793	.....	23.9
Single Family Units	number	Jan.-May	521	.....	17.3
Multiple Family Units	number	Jan.-May	2	.....	−75.0
NONRESIDENTIAL	thous. $	Jan.-May	15,980	.....	−64.1
KAUAI RESIDENTIAL	thous. $	Jan.-May	24,994	.....	71.4
Single Family Units	number	Jan.-May	232	.....	51.6
Multiple Family Units	number	Jan.-May	3	.....	—
NONRESIDENTIAL	thous. $	Jan.-May	20,430	.....	−45.7
PUBLIC CONTRACTS AWARDED					
TOTAL GOVERNMENT PROJECTS					
STATE	thous. $	Jan.-June	186,574	.....	−3.4
Oahu	thous. $	Jan.-June	139,056	.....	−4.1
Maui County	thous. $	Jan.-June	14,080	.....	−48.3
Hawaii	thous. $	Jan.-June	17,539	.....	9.7
Kauai	thous. $	Jan.-June	15,900	.....	223.0
BY LEVEL OF GOVERNMENT					
Federal	thous. $	Jan.-June	30,678	.....	26.3
State	thous. $	Jan.-June	86,532	.....	−10.4
County	thous. $	Jan.-June	69,454	.....	−3.8
REAL ESTATE RESALES					
STATE Single Family	number	Jan.-June	1,808	.....	30.8
Average Price	dollars	Jan.-June	231,071	.....	25.9
Condominium	number	Jan.-June	2,659	.....	50.7
Average Price	dollars	Jan.-June	125,694	.....	13.5
OAHU Single Family	number	Jan.-June	1,228	.....	32.2
Average Price	dollars	Jan.-June	270,374	.....	29.4
Condominium	number	Jan.-June	2,032	.....	52.9
Average Price	dollars	Jan.-June	122,083	.....	16.6
MAUI CO. Single Family	number	Jan.-June	235	.....	38.2
Average Price	dollars	Jan.-June	188,190	.....	10.3
Condominium	number	Jan.-June	451	.....	53.4
Average Price	dollars	Jan.-June	142,698	.....	−3.8
HAWAII Single Family	number	Jan.-June	271	.....	19.9
Average Price	dollars	Jan.-June	112,075	.....	13.3
Condominium	number	Jan.-June	88	.....	37.5
Average Price	dollars	Jan.-June	140,680	.....	78.9
KAUAI Single Family	number	Jan.-June	78	.....	36.8
Average Price	dollars	Jan.-June	143,072	.....	−1.2
Condominium	number	Jan.-June	88	.....	12.8
Average Price	dollars	Jan.-June	126,029	.....	27.7

n.a. = not available.

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population in hawaii

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
POPULATION					
STATE:					
Total De Facto Population		July 1, 1986	1,176.7p	.....	2.1
Total Resident Population		July 1, 1986	1,062.3p	.....	0.8
OAHU:					
Total De Facto Population		July 1, 1986	865.1p	.....	1.0
Total Resident Population		July 1, 1986	818.3p	.....	0.5
MAUI COUNTY:					
Total De Facto Population		July 1, 1986	115.5p	.....	0.4
Total Resident Population		July 1, 1986	87.3p	.....	2.3
HAWAII:					
Total De Facto Population		July 1, 1986	115.8p	.....	2.2
Total Resident Population		July 1, 1986	110.2p	.....	0.9
KAUAI:					
Total De Facto Population		July 1, 1986	55.6p	.....	1.8
Total Resident Population		July 1, 1986	46.4p	.....	3.6
CIVILIAN RESIDENT POPULATION:					
STATE		July 1, 1986	1,004.2p	.....	0.7
MILITARY PERSONNEL:					
STATE		July 1, 1986	58,584	.....	1.0
Ashore		July 1, 1986	53,616	.....	−0.4
Afloat		July 1, 1986	4,968	.....	19.5
CIVILIAN MILITARY DEPENDENTS		July 1, 1986	66,210	.....	3.0
FOREIGN IMMIGRATION*		Jan.-June	3,085	.....	2.8

p = preliminary.
*Includes only those entering Honolulu ports and does not include status changes.

income in hawaii

INCOME					
TOTAL PERSONAL INCOME**	mil. $	4th Qtr.	15,906p	0.9	6.3
EMPLOYMENT INCOME*	mil. $	4th Qtr.	12,240p	1.5	7.5
Manufacturing	mil. $	4th Qtr.	571p	6.3	7.3
Construction & Mining	mil. $	4th Qtr.	959p	10.0	27.9
Wholesale	mil. $	4th Qtr.	461p	0.2	1.5
Retail	mil. $	4th Qtr.	1,337p	1.0	3.8
Finance, Ins., & Real Estate	mil. $	4th Qtr.	897p	2.3	13.8
Trans., Comm., & Util.	mil. $	4th Qtr.	986p	0.6	5.7
Services	mil. $	4th Qtr.	3,012p	0.9	8.7
Farm & Other	mil. $	4th Qtr.	330p	−13.4	0.9
Federal Civilian	mil. $	4th Qtr.	992p	0.3	2.5
Federal Military	mil. $	4th Qtr.	1,362p	0.5	0.4
State & Local	mil. $	4th Qtr.	1,333p	2.3	9.2
PROPERTY INCOME (Dividends, Interest, & Rent)	mil. $	4th Qtr.	2,229p	−1.5	1.8
TRANSFER PAYMENTS (2,243) minus Personal Contributions for Social Insurance (806)	mil. $	4th Qtr.	1,437p	−0.3	3.6
PER CAPITA PERSONAL INCOME:					
STATE	dollars	1986	14,691p	.....	6.1
Oahu	dollars	1984	13,709p	.....	5.7
Maui County	dollars	1984	11,611p	.....	5.9
Hawaii	dollars	1984	9,998p	.....	5.2
Kauai	dollars	1984	10,564p	.....	6.9

**Total personal income and all components are seasonally adjusted at annual rates.
*Includes wage and salary disbursements, proprietors' income, and other labor income.
p = preliminary.

HAWAIIAN BANK

of the Great Depression in 1929, only family farms were holding on. Large growers had fallen by the wayside in the boom-to-bust slide of the price cycle.

During this period of slack demand only the coffee grown in Kona had sufficient quality high enough to meet the reduced needs of the market. Plantings were abandoned in other areas of the Big Island and on the other islands.

After World War II, world coffee prices began to climb again, and as expected, acreage increased. The price of green coffee went from 25 cents a pound for the 1947-48 crop to 66 cents a pound in 1956-57. Acreage peaked from 3,400 in 1946 to 6,800 by 1958, the highest since the early part of this century. A steady decline followed and reached bottom with 1,800 acres in the 1981-82 crop year. Since then plantings have been expanding with the growing popularity of Kona coffee, until total coffee acreage reached 2,300 acres in 1986. A continuing increase is forecast, and large-scale commercial plantings are planned outside of Kona for the first time in many years.

The first coffee variety grown in Kona was called bourbon from Brazil. Growers found this variety unsuited for Kona because of its cycle of good crops followed by mediocre crops. In 1891, a Guatemalan type of arabica (tipica) was tried in Kona from plantings in Kukaiau on the Hamakua Coast. It did well, and to this day, it is the predominant variety grown in Kona.

The industry has been beset with low prices for years. After Statehood, many growers supplemented their income by planting macadamia-nut trees among the coffee. Although macadamia nuts brought growers higher returns in the beginning, the situation changed with the entry of Superior Coffee and Foods/Hawaii into the marketing scene. Its plan to market Kona as a gourmet coffee appeared risky at first, but Superior Coffee Co.'s parent company, the Sara Lee Corporation, imports, roasts, and distributes 50 million pounds of coffee annually. Hawaii's two million pounds of Kona coffee is but a small proportion of the company's total sales.

Superior Coffee's monopoly of the Kona coffee crop was broken in 1980 with the entry of United Coffee Corp., a San Francisco-based company. It purchases cherry coffee from farmers and processes them at its plant in Holualoa. Today, there are seven processors, who buy their cherry coffee from growers or produce part of the inventory themselves.

Now plans are afoot to try coffee in areas outside of Kona. Alexander & Baldwin Inc. and Amfac are reportedly testing various coffee varieties for possible plantings on their sugar, or other lands that might support this crop.

The most significant move so far is the decision by Hawaii Guarani Plantations Inc. (dba Coffees of Hawaii) to put 800 acres of former pineapple land leased from Molokai Ranch Co. into coffee. The company feels Molokai can produce a good quality of coffee. Seeds were secured from Kona, and seedlings are being propagated in a nursery on Molokai. Transplanting is scheduled to begin in September, and continue through March of next year.

The company believes the coffee will be of good quality because a test planting of 200 trees at Maui Tropical Plantation has produced several crops. The first crop was average, but the second crop produced good coffee. This was encouraging because Maui Tropical Plantation is at an elevation of only 375 feet. The species robusta, which is used mainly as filler coffee, is grown in elevations up to 500 feet in West Africa, Brazil, and Indonesia. But, better grade coffee such as arabica, of which Kona is one variety, thrives at a higher elevation, like the coffee belt along the 1,000-foot elevation of Kona. Kualapuu, Molokai, where the first plantings will be, is at approximately the same elevation.

Not only is Hawaii Guarani forecasting a good quality coffee on Molokai, but high yields as well. Plantings from 1,300 to 1,600 trees per acre are planned, compared to 900 in Kona, and 1,000 to 2,000 in Brazil. Yield is expected to be much higher than the 1,000 pounds of green coffee per acre Kona produced this past year.The reasons for such a big difference in productivity are: more trees per acre; the rich soil of Molokai; and high-tech harvesting methods.

Also, Hawaii Guarani is looking at a coffee harvester, developed in Brazil and perfected in Australia, that can cover more than 100 acres a day. This harvester picks only ripe coffee cherries, which improves yield. It also has the capability to prune and spray the trees, and to pulp the coffee cherries in the harvester. The seeds come out ready to be dried into parchment coffee. Since only ripe cherries are picked, the weight loss from removal of pulp is reduced. This harvester will also be less labor intensive than the Kona operation.

Hawaii Guarani already has a contract with Superior Coffee, which will take the first two million pounds, yearly, of

employment and jobs in hawaii

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
EMPLOYMENT					
STATE					
Civilian Labor Force	thous.	May	505.3p	0.9	2.4
Employment	thous.	May	484.8p	0.8	4.3
Unemployment	thous.	May	20.5p	3.0	−14.6
Unemployment Rate	percent	May	4.1p	2.5	−16.3
OAHU					
Civilian Labor Force	thous.	May	378.9p	0.7	3.2
Employment	thous.	May	378.9p	4.4	3.2
Unemployment	thous.	May	13.5p	0.7	−16.1
Unemployment Rate	percent	May	3.6p	0.0	−18.2
MAUI COUNTY					
Civilian Labor Force	thous.	May	50.6p	1.2	6.5
Employment	thous.	May	48.0p	0.4	6.4
Unemployment	thous.	May	2.6p	18.2	8.3
Unemployment Rate	percent	May	5.1p	15.9	0.0
HAWAII					
Civilian Labor Force	thous.	May	52.1p	2.0	2.0
Employment	thous.	May	48.6p	1.3	3.4
Unemployment	thous.	May	3.5p	9.4	−14.6
Unemployment Rate	percent	May	6.6p	6.5	−16.5
KAUAI					
Civilian Labor Force	thous.	May	23.7p	1.7	3.5
Employment	thous.	May	22.7p	2.7	5.6
Unemployment	thous.	May	1.0p	−16.7	−28.6
Unemployment Rate	percent	May	4.2p	−17.6	−32.3
JOB COUNT BY INDUSTRY					
TOTAL JOBS—STATE	thous.	May	499.6p	0.4	4.6
SUGAR (Mill and Field)	thous.	May	7.1p	0.7	−4.7
PINEAPPLE (Cannery and Field)	thous.	May	4.0p	2.6	−2.4
DIVERSIFIED MANUFACTURING					
(Excluding Sugar and Pineapple)	thous.	May	16.7p	−0.3	0.6
Durable Goods	thous.	May	3.9p	1.3	14.7
Non-Durable Goods	thous.	May	12.8p	−0.8	−2.7
Apparel and Textiles	thous.	May	3.1p	0.0	−11.4
DIVERSIFIED AGRICULTURE (Excluding Sugar And Pineapple but Including Agricultural Self-Employed)	thous.	May	8.1p	5.2	1.9
CONTRACT CONSTRUCTION	thous.	May	21.9p	1.4	31.9
TRANSPORTATION	thous.	May	24.6p	−0.2	0.4
COMMUNICATION	thous.	May	7.2p	0.0	0.7
UTILITIES	thous.	May	2.7p	0.0	8.2
RETAIL TRADE	thous.	May	99.3p	−0.3	2.5
WHOLESALE TRADE	thous.	May	19.5p	0.3	−1.3
FINANCE, INSURANCE AND REAL ESTATE	thous.	May	33.5p	0.4	3.2
HOTEL SERVICES—STATE	thous.	May	30.1p	−0.5	7.5
Oahu	thous.	May	16.9p	−0.9	3.7
Maui County	thous.	May	6.7p	−0.7	12.6
Hawaii	thous.	May	4.1p	0.0	17.4
Kauai	thous.	May	2.5p	2.1	6.5
OTHER SERVICES	thous.	May	93.4p	0.6	10.3
FEDERAL GOVERNMENT	thous.	May	32.1p	0.3	0.3
Civilian Agencies	thous.	May	12.1p	0.4	3.9
Defense Department	thous.	May	20.0p	0.3	−2.4
STATE GOVERNMENT	thous.	May	52.4p	−0.9	2.9
COUNTY GOVERNMENT	thous.	May	13.0p	0.0	2.4
NON-AGRICULTURE SELF-EMPLOYED	thous.	May	34.6p	5.0	1.9
UNEMPLOYMENT INSURANCE					
INSURED UNEMPLOYMENT					
(Weekly Average)	number	May	6,943	−2.6	−18.8
INTRASTATE INITIAL CLAIMS	number	Jan.-May	22,897	.....	−17.4
INTERSTATE INITIAL CLAIMS	number	Jan.-May	1,380	.....	−18.1
UNEMPLOYMENT INSURANCE BENEFITS	thous. $	Jan.-May	19,661	.....	−21.9

p = preliminary.
*Count of recipients is duplicated. A person may be counted in each category.

public assistance in hawaii

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
PUBLIC ASSISTANCE					
INCOME MAINTENANCE					
Recipients[1]	no./persons	May	50,710	−1.8	−8.1
Payments	thous. $	Jan.-May	36,128	.....	−7.1
MEDICAL ASSISTANCE					
Recipients[1]	no./patients	May	48,872	9.0	−4.3
Payments	thous. $	Jan.-May	68,721	.....	10.5
FOOD STAMPS					
Recipients[1]	no./persons	April	85,987	0.9	−6.6
Payments	thous. $	Jan.-Apr.	28,653	.....	−4.0
SERVICES					
Recipients[1]	no./cases	1st Qtr.	7,489	−1.6	−3.9
Payments	thous. $	1st Qtr.	4,874	.....	14.8

[1]Count of recipients is duplicated. A person may be counted in each category.

banking and finance in hawaii

FINANCE					
COMMERCIAL BANK DEPOSITS					
STATE					
Total Deposits	mil. $	May	8,800.0	0.2	15.2
Debits To Demand Deposits	mil. $	May	10,123.1	.....	24.0
OAHU					
Total Deposits	mil. $	May	7,374.0	0.4	15.8
Debits To Demand Deposits	mil. $	May	9,198.8	.....	25.1
MAUI COUNTY					
Total Deposits	mil. $	May	560.5	−2.1	15.9
Debits To Demand Deposits	mil. $	May	400.4	.....	15.6
HAWAII					
Total Deposits	mil. $	May	588.1	−1.4	10.4
Debits To Demand Deposits	mil. $	May	353.8	.....	12.6
KAUAI					
Total Deposits	mil. $	May	277.2	0.7	7.2
Debits To Demand Deposits	mil. $	May	170.2	.....	14.5
BANK LOANS OUTSTANDING—STATE	mil. $	1st Qtr.	5,230.9	3.3	10.8
Real Estate	mil. $	1st Qtr.	2,190.6	4.3	16.4
Consumer	mil. $	1st Qtr.	1,037.0	−4.4	−1.7
Commercial & Industrial	mil. $	1st Qtr.	1,559.8	6.2	16.6
Other	mil. $	1st Qtr.	297.0	−9.6	−12.9
CONVENTIONAL HOME MORTGAGE RATES, HONOLULU					
SAVINGS & LOAN ASSOCIATIONS	percent	May	10.9	13.5	9.0
TOTAL DEPOSITS	mil. $	March	3,517.8	0.6	−2.5
TOTAL LOANS	mil. $	March	121.0	20.0	82.8
MORTGAGE LOANS	mil. $	March	109.7	39.9	99.8
TAX COLLECTIONS[3]					
STATE	thous. $	May	194,509	16.6	31.6
Oahu	thous. $	May	167,792	15.3	32.3
Maui County	thous. $	May	12,942	78.1	16.6
Hawaii	thous. $	May	10,881	28.3	59.5
Kauai	thous. $	May	2,894	−47.3	−5.2

[redacted]

[1]Figures contain domestic balances only.
[2]Includes Hawaii and Guam. Reporting categories changed in [redacted]
[3]Taxes collected by the State Department of Taxation. Excludes property taxes which were formerly collected by the State but are now collected by the Counties.

the Molokai production. The agreement calls for Hawaii Guarani to produce a mild arabica. There is no way to forecast the flavor until the first few crops are harvested, processed, and tasted. If taste and flavor meet with Superior's approval, Hawaii Guarani will probably expand plantings to at least 3,000 acres, subject to negotiations with Molokai Ranch. It is estimated that Molokai has 40,000 acres of land good for coffee growing. Up to 300,000 acres might be suitable for coffee throughout the state, but only 100,000 of those acres are prime coffee lands, and they are now mainly in sugarcane and pineapple. Some of that land will require irrigation.

Superior roasts a huge amount of coffee annually, and it could possibly take all of Hawaii's expanded production if the coffee meets its specifications. If the sugar industry continues to decline, it is quite possible to see coffee expand to 50,000 acres by 1995. If the coffee is of the right quality, Superior could use the non-Kona production for its annual requirements in place of imports. Hawaii would be a more stable source of supply. Japanese distributors have already asked Superior to supply the non-Kona grade of coffee when production permits.

Kona coffee farmers are doing well. The successful promotion of their coffee as a specialty product has increased demand. From the production of 1.7 million pounds of parchment coffee in the 1978-79 season, the output for the 1986-87 season is forecasted to increase to 2.9 million pounds (parchment basis). The price for parchment coffee has increased from $1.26 per pound in 1978-79 to $3 per pound in the present fiscal year.

To protect their brand, Kona farmers have organized the Kona Coffee Council to set and maintain high standards of quality. Processor members of the council include Bong Brothers Coffee Co., Hing's Coffee Co., Kona Kai Farms, and the Pacific Coffee Cooperative. The council represents about 75 percent of Kona's production and acts in behalf of growers and processors in the promotion of Kona coffee as a premium-grade product.

In conclusion, in spite of the coffee industry's contraction to the prime growing area of Kona over the past decades, the industry is now expanding to other parts of the state. Mechanization, rigid quality control in processing, and sharp marketing are expected to make coffee into a crop that could surpass sugar in a few decades.

ECONOMIC INDICATORS

A Bimonthly Report on Current Economic Conditions in Hawaii
by the Research Department, First Hawaiian Bank
P.O. Box 3200; Honolulu, Hawaii; 96847

July/August 1987

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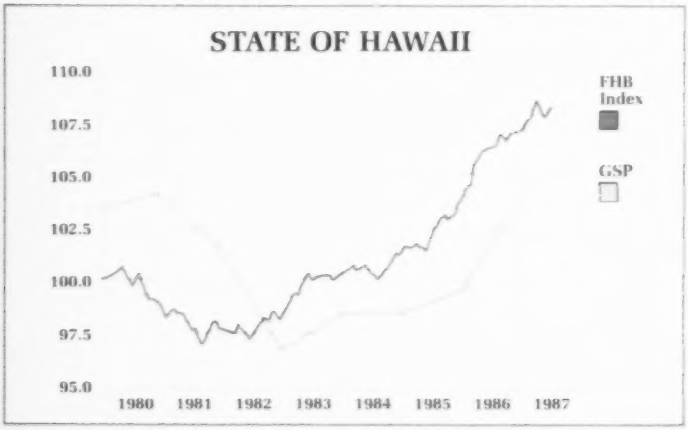

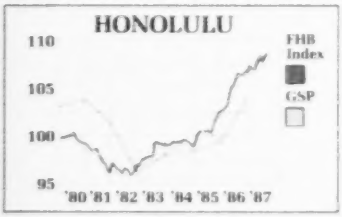

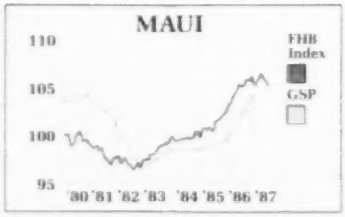

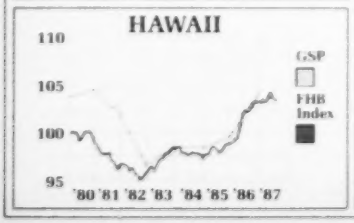

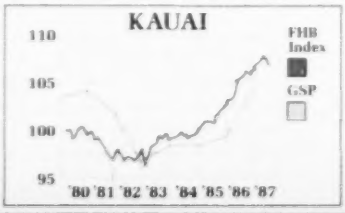

FIRST HAWAIIAN BANK INDEX OF LEADING ECONOMIC INDICATORS

The First Hawaiian Bank Index of Leading Economic Indicators showed a 0.5 percent increase over the first five months of 1987, indicating continuing moderate growth for the year for the State of Hawaii. However, county-by-county analyses show that the neighbor-island economies may be looking forward to slower growth in 1987. Only Honolulu maintained an overall positive growth outlook with upward movement in average workweek hours, corporate profits, and public contracts awarded. On the negative side, Honolulu was affected by higher consumer prices, falling visitor counts, and declining building permits. Maui County realized slight gains in building permits, but suffered heavy losses in visitor counts and public contracts awarded. On the Big Island, building permits and public contracts were down, while visitor counts and credit demand increased marginally. For Kauai County, building permits were on the increase, but visitor counts and employment figures were on the decline.

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